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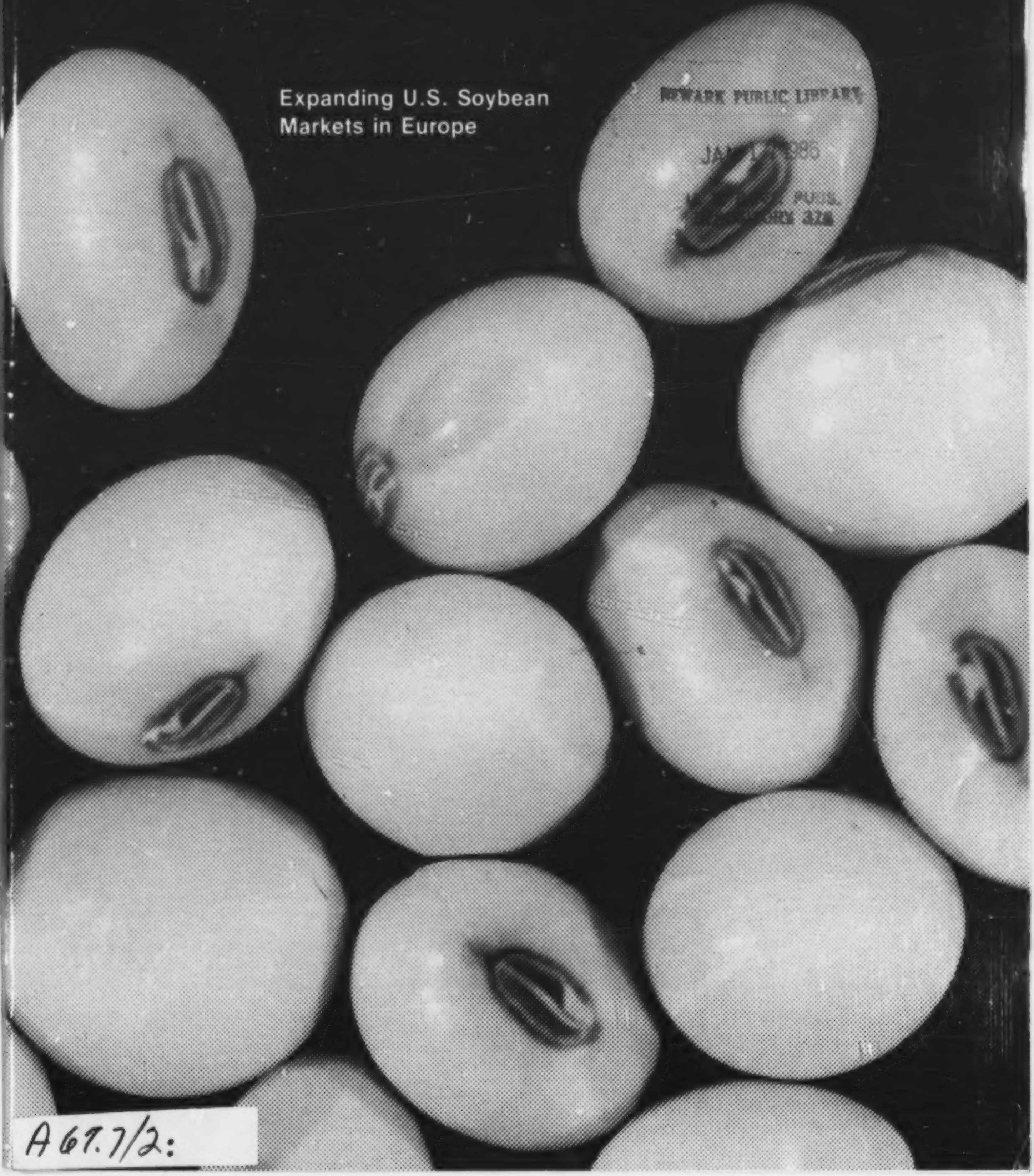

Expanding U.S. Soybean Markets in Europe

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Marketing News

MEF Completes Its First Market Analysis Trip to China

Meat Export Federation (MEF) has completed its first market survey trip to China, concluding that the potential for U.S. red meat trade is positive but limited. "At this point, the market is strictly high-quality beef for the first-class hotels, with most of these hotels under joint venture with U.S. corporations," MEF President Alan R. Middaugh said. "Already, many of the major hotels feature U.S. beef on their menus. In most instances, the meat was being shipped through Hong Kong."

MEF Asian Director Phil Seng reported that while China could see a fivefold increase in its imports of beef from the United States, the market was still very small. "Beef imports could increase from 16 tons in 1984 to 100 tons in 1985," Seng said. "But the United States is servicing no more than a dozen hotels. Increased demand for our beef will be directly related to the growth in tourism."

Other MEF activities last fall included hosting two U.S. beef promotions in China. MEF also participated in the Ag China Show last November in Beijing—the first representation for the U.S. meat industry in a trade show in China. It assisted its meat-packer members with show arrangements and hosted a reception for trade and media the last day of the show.

SUSTA Plans Food Promotions in London and Paris

As a part of **Southern United States Trade Association's** (SUSTA) export market development activities for high-value products (HVP's) in Europe, SUSTA plans to carry out "A Taste of Dixie" promotion with Harrods of London during fiscal 1986. The renewed strength of the pound should add to the promotion's success. Forty SUSTA companies have already expressed interest in the promotion.

A similar promotion is being considered with Au Printemps, a department store in Paris for 1987. SUSTA also hopes to get involved in a food promotion for U.S. foods which will be carried out in France by EUREST, a large international food service company which operates 450 restaurants in France alone. The EUREST people are interested in southern foods for their menu and are planning to make a trip to New Orleans to learn about foods, recipes and menus and to discuss ideas for the promotion.

Arab Bread and Baking Symposium in Baghdad

U.S. Wheat Associates (USW) Cairo Regional Director Michael Schultz presented an overview of USW's market promotion activities in the Middle East at the "Symposium - The Nutritional Role of Bread and Baking Technology in the Arab World" held in Baghdad, Iraq, last fall. The symposium was organized by a committee composed of representatives of the Arab Federation of Food Industries and the State Organization for Grains of Iraq. Topics included use of composite flour, bread marketing in the Arab world and the effect of milling technologies and baking methods on the nutritional value of flour and bread. Schultz stated that the symposium was an excellent opportunity to strengthen USW's contacts not only with the Iraqi representatives but also with the representatives from Saudi Arabia, Jordan, Kuwait, Yemen Arab Republic and Turkey, as well as the different Arab organizations.

Soybean Association Builds Credibility in Nigeria

The **American Soybean Association** (A.S.A.) and the **Foreign Agricultural Service** supported soybean promotional seminars in Nigeria last summer. The purpose of the seminars, which took place in three locations and hosted approximately 500 people, was to promote soybean meal to Nigeria's poultry industry. The seminars were part of the Soybean Association's continuing effort to promote soybean meal in this area.

Dr. David Thomason, an A.S.A. speaker at the seminar, said: "We saw a lot of soybean meal being used. And Nigerian poultry producers told us they are considering directly importing soybean meal to meet their needs." He feels the outlook for full fat-soybeans and soybean meal use there is good. "We're showing poultry producers how to raise more poultry and formulate better feed with soybeans. With continued promotion, their industry could soon use meal equivalent to as much as 10 million bushels of soybeans to meet its growing feed needs," he said.

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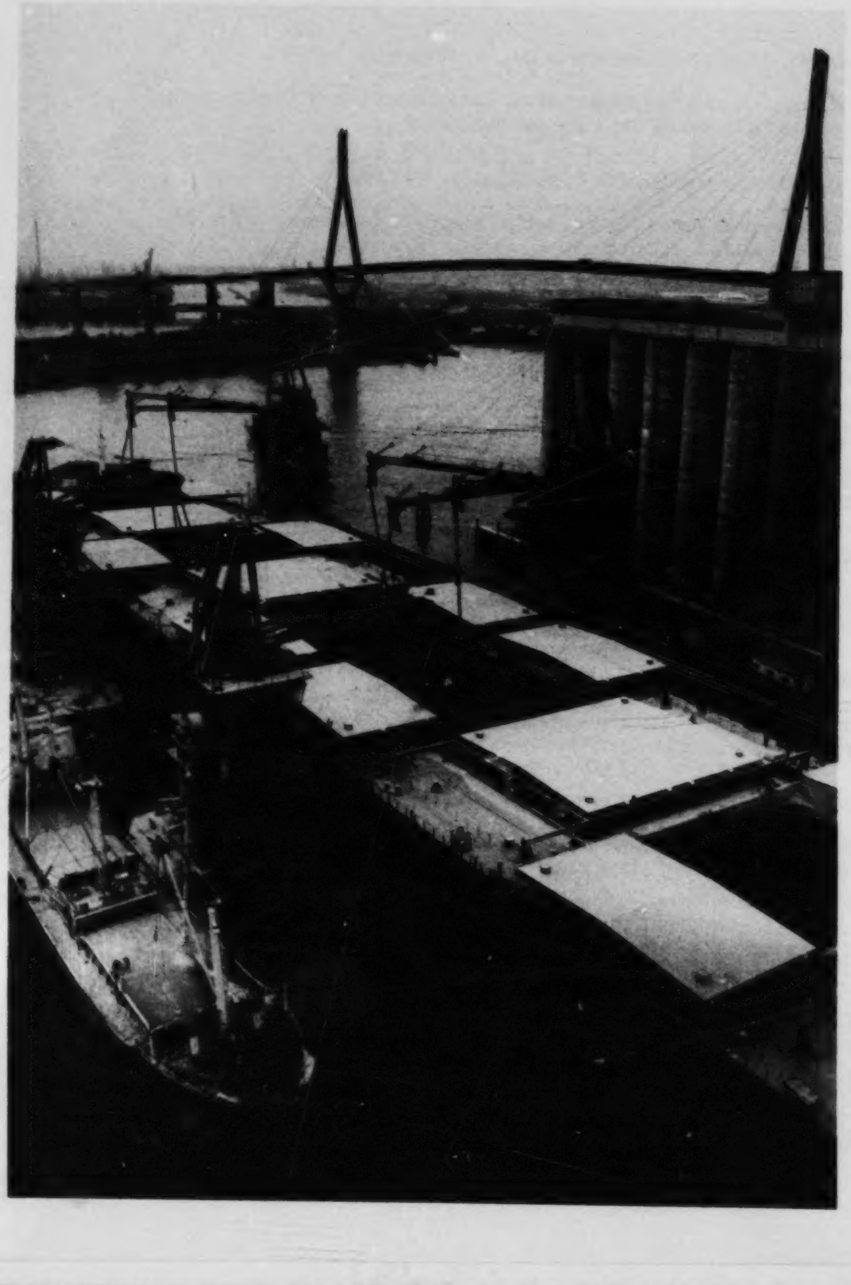
25 Years of Promoting U.S. Soybeans And Products in the German Market

By Dr. Karl W. Fangauf

On Dec. 1, 1985, the American Soybean Association (ASA) marked its 25th anniversary of market development activities in northern Europe.

Since 1960, ASA representatives in the north European office in Hamburg, Federal Republic of Germany (FRG), have been promoting U.S. soybeans and soybean products in the FRG, Denmark, Sweden, Norway, Finland, Austria and Switzerland. Following is a trilogy of stories featuring ASA's efforts in some of these targeted countries.

FOREIGN AGRICULTURE recently interviewed Dr. Karl W. Fangauf, director of the American Soybean Association's (ASA) north European office in Hamburg, about market development efforts in West Germany on the eve of a quarter century of work there. Fangauf has been director of the Hamburg office since it opened in 1960.



Q: How would you describe the West German market for U.S. soybeans and products?

A: The West German market is unique. Nearly 50 percent of the soybean meal consumed in West Germany bypasses the large commercial feed manufacturers and is consumed directly on the farm, where it is mixed with domestic grain. In contrast to other countries where feed manufacturers determine what ingredients will be used, in West Germany demand comes from the farmer. As a result, our promotional efforts for soybean meal are targeted at the farmer level.

Q: What is the size of the market for U.S. soybean meal?

A: West Germany imports more than 2.5 million tons of soybean meal annually. Recently, we have seen increased sales of soybean meal of 15-20 percent in some areas of West Germany, even up to 30 percent in some parts. That makes me and U.S. farmers *very* happy. Especially after the difficult years of 1983-84.

Soybean imports and crushings were reduced as a result of an explosion at one of West Germany's 10 soybean processing plants. This plant, Oelmuehle Hamburg, which accounts for 25 percent of the market, has been rebuilt; and soybean imports for 1985 were expected to reach their pre-explosion level. Actually, the plant's capacity has increased by almost 1 million tons. That looks very good for soybean meal consumption in fiscal 1986. I expect that grain prices will continue under pressure, which favors increased consumption of soybean meal.

Q: What kinds of activities does ASA sponsor in West Germany?

A: Because of the uniqueness of the West German market, our promotions are geared toward farmers, farmer associations, key livestock producers and breeder associations. Very importantly, ASA has excellent contacts with the West German agricultural extension service. Our promotional materials include leaflets, which are supplied by the extension service directly for the farmer's use, and educational movies.

Our intent here in West Germany is to stay with the feed dealers and extension office, who in turn work with the farmer directly. This creates more work, though it is not more difficult, than in other countries where ASA works with feed manufacturers and crushers who determine what will be imported.

We have strong grass roots support and demand for U.S. soybean meal here in West Germany. Even in critical years, soybean meal consumption did not drop off dramatically. The West German market is a more secure one as a result.

Q: What competition do you face?

A: We are seeing heavy competition from rapeseed meal. The European Community has set the price for rapeseed at such a high level that it is very attractive to farmers to grow, more so than wheat. We are also getting competition from legumes—lupins, peas and field beans. These items are cheaper, but not as good. The quality of feed could decrease with increased use of these items.

Q: What do you do to counter this competition?

A: ASA stresses quality in the face of this competition because we cannot compete on price. The lower dollar also helps. But fluctuations in the dollar don't help at all in getting a long-term, steady supply. It makes it difficult to buy ahead.

In addition, we have new developments. For example, soybean hulls are available to commercial processors. Hulls have been used as cattle feed in feeding trials. The result is that whole hulls have a feeding value

Sojaschrot in der Rindermast
Sojaschrot in der Schweinemast
Sojaschrot in der Milchviehfütterung
AMERICAN SOYBEAN ASSOCIATION
HAMBURG
SOYA

of 80 percent of corn. This is much higher than we anticipated. This new information is a bright spot for the soybean industry and will hopefully lead to increased sales for soybean hulls and a better price for them. It adds to the whole use of the bean.

Q: We've talked about promotion of soybean meal, but what about ASA's efforts for soybean oil?

A: We expend considerable effort to promote U.S.-identified soybean oil in West Germany. This is geared toward the consumer level. We want consumers to know what oil they use (U.S. soybean oil) and that it's No. 1 in the market. This is the same strategy that we use in soybean meal promotion—getting down to the consumer.

By identifying soybean oil in the market, we keep the demand at the consumer level, which is relayed, in turn, to the supplier.

In a survey conducted in July 1982, three-quarters of the respondents were familiar with soybean oil. Soya (as it is called in West Germany) has a good image with consumers. We have made very good progress despite competition from locally produced rapeseed and sunflowerseed oils.

The real need for us here in West Germany is to maintain our market share. If we don't, it drops drastically. Brazil and Argentina have increased their market shares.

Q: What are our alternatives in meeting the competition?

A: We can stress quality, price, image, services and U.S.-identification. We have to consider *all* these things.

Q: What is the biggest obstacle you face?

A: The biggest obstacle is that there is no market. We have to *make* the market. This is true for everyone. What I mean is that we have to come up with new food uses such as protein-enriched bread and new recipes with soy products. We have to make the market for new products. We are working with individual companies to develop new items and sell the product. An example is 100 percent soy oil margarine.

Q: How have things changed in the 25 years you have been working with ASA in northern Europe?

A: It is different for meal and food use/oil sectors. Even 25 years ago, there was an excellent awareness of soybean meal here in West Germany. As early as 1930, West Germany processed 1.3 million tons of soybeans, three times what the United States was producing. (The beans came from China.) Soybeans and soybean products are traditional in West Germany because of the importance of the crushing industry.

The big changes have come in the food area. There has been a tremendous increase in the awareness and image of soybean products. West Germans feel these products are healthy, nutritious and versatile in their use. This certainly is one change I have seen.

Another change is increased consumption and imports of soybeans. West Germany now processes about 3 million tons of U.S. soybeans.

A third change is the growing acceptance of soy protein by the food industry.

Q: What do you see in the future?

A: We have work to do in all areas, especially:
—Resolving food law problems. In West Germany, soy protein cannot be added to foods. We have to work on this.
—Promoting whole soy foods in the institutional trade. We are seeing tremendous demand for these items.
—Promoting whole soy food dishes in general, as consumer demand for soy/vegetable protein products is growing. I think this area is where we will see tremendous progress in the next 10 years. I consider our work in this area to be pioneering. ■

ASA Taps Growth Potential for Soy Protein Products in Sweden

By Dieter Kundrun

With Swedish meat prices increasing at a rapid rate over the past few years, the American Soybean Association (ASA) is tapping the potential of the Swedish market for soy protein products, particularly as a meat extender.

To take advantage of this potential, ASA ran a major promotional campaign in Sweden in 1985 using the slogan "The New Generation of Soy Protein Products." This campaign included media advertising, public relations activities directed toward opinion leaders, consumer promotion events and point-of-purchase activities.

While most West European countries still have restrictive food regulations that limit or prohibit the use of soybean protein products in food, Sweden is not one of them.

Institutions Consume Most Soy Protein

Institutional users such as schools, hospitals and the government consume most of the soy concentrates and isolates sold in Sweden, primarily as minced meat products. Minced meat consumption by these institutional users is approximately 25,000 tons.

For the past three years, the ASA has been working closely with the Karlshamn Oilfactory, the largest distributor of soy protein products in Sweden. Together, they have carried out joint market research studies and sales promotion campaigns to inform and educate institutional users on the versatile properties of soy protein products.

Good Potential at the Consumer Level

ASA has found that there is a much larger but relatively untapped market for soy protein products at the consumer level in Sweden.

In 1984 (most recent data available), Swedish consumers used approximately 75,000 tons of minced meat products. If only 5 percent of the minced meat was supplemented by soy protein, this segment could absorb almost 4,000 tons of soy protein, with a market value of $6-7 million.

To increase soy protein consumption in Sweden to this volume, however, requires more consumer information and educational activities.

ASA Conducts Soy Protein Survey

To develop a market-oriented strategy for increased consumption, ASA, along with Swedish third-party cooperators, carried out soy protein attitude surveys at both the institutional and consumer levels.

Results indicated general knowledge about soy protein products was very limited. Those who did know about soy protein products, however, were generally positive about them. More than 70 percent of the survey's respondents said they would like to get more information about these products.

One area in which the ASA sees good potential at the consumer level is using soy protein as an extender in meat. Meat prices in Sweden have increased rapidly over the past three years as the government gradually reduced subsidies. In 1984, Swedish consumers spent approximately $2.5 billion for meat products, 25 percent more than in 1982, and more than 20 percent of total food expenditures.

During the same period, per capita meat consumption fell from 56 to 53 kilograms. In view of the high prices for pure meat and meat products, chances are good that consumers will be more receptive to the idea of extending minced meat products with high-quality soy protein products.

Soy Protein Use in Meat Balls

One example of a potential use for soy protein is in meat balls, a traditional Swedish food item. A well-known newspaper for restaurants and institutions recently published the results of a consumer taste panel that had sampled five different meat balls from well-known producers. The sampling was carried out through a taste panel of 200 persons in a test kitchen in Stockholm.

GRÖNPEPPAR GRYTA
STROGANOFF GRYTA
CHICKEN A LA KING
FRIGGS

Two of the five meat balls had been extended with soy protein. The results were very positive, as the panel could not detect any difference in taste between the pure meat products and the soy protein-extended meat balls. Even the appearance and consistency was rated about equal.

Currently, soy protein-extended meat balls sell for about 30 percent less than the pure meat products. In addition to the economic advantages of using soy protein, the ASA is stressing its nutritional aspects as well.

In 1984, the ASA started a major soy protein promotion campaign with Nordium AB, the market leader in health food sales in Sweden. Nordium has introduced three new soy protein-extended lunch products under the brand name of Friggs.

Encouraged by favorable market conditions (the natural food sector is one of the few areas within the Swedish food industry that has had steady growth during the past few years), Nordium decided to put soy protein products into the top priority group for distribution not only to health food stores, but to supermarkets and discount stores as well. ■

The author is associate director of the American Soybean Association's north European office in Hamburg, West Germany.

Danish Demand Could Boost Export Potential for U.S. Soy Products

By Dieter Kundrun

The American Soybean Association (ASA) has been focusing increased attention on the Danish market because of the interest there in using soybean meal in animal feed rations.

Agriculture accounts for about 30 percent of Denmark's export earnings and many of the 112,000 farmers are involved in the production of milk, meat and eggs. Denmark ranks as the world's largest exporter of pork, second largest of butter and third largest of cheese.

In addition, the Danes produce more than 6 million minks each year, making them the world's largest exporter of mink skins.

Thriving Industry Needs Protein Feeds

To meet the feed demand of the thriving livestock and poultry industry Denmark's imports of protein feeds exceeded 2 million metric tons last year. This included 1.2 million tons of soybean meal, which is now generally recognized as the major protein feed. This year soybean meal imports also are expected to be about 1.2 million tons.

In 1984, the soybean meal share of all oilseed cakes and meal approached the 60 percent level, leaving only 40 percent for all other vegetable protein feeds, including cottonseed meal, sunflowerseed meal and rapeseed meal.

By-Pass Protein for Dairy Rations

Although soybean meal is the principal protein feed in hog rations, only 20 percent of the total soybean meal consumed is used in cattle feed. This percentage could be increased by adding more by-pass protein to dairy cow rations.

ASA sponsored a seminar on this topic for the Danish feed industry. At the seminar, Danish and German cattle nutritionists explained the feeding value of soybean meal treated to bypass the rumen. In this way, intact soy protein is directly absorbed by the cow.

ASA hopes that seminars such as this will lead to further gains in use of soybean meal in dairy rations in Denmark.

Mink Industry Possible Feed Market

Another potential market for soy products is the rapidly growing mink industry. During the past four years, the number of breeding minks rose from 1 million to 1.6 million, and prices of mink pelts increased by 22 percent.

The mink feed consists mainly of animal protein such as fish offals, meat scraps and fish meal. Vegetable proteins require special processing to be as digestible as animal proteins. In addition, minks do not grow as rapidly and pelts are not as luxuriant when larger levels of vegetable proteins are included in the feed.

Presently, Danish mink feed producers have little choice except to import fish offals and fish by-products from several North European countries to meet the protein demand in mink feed rations. This material is expensive since it is perishable and must be shipped frozen.

Soybean Meal Could Supply Protein

ASA believes that soybeans and soybean meal could play a much larger role in meeting the protein requirement for mink feeding rations.

In 1983 and 1984, ASA was involved in a research program with the Danish Fur Breeders' Association at the University of Copenhagen to study the potential of soy protein.

Research, coupled with an education program for mink breeders and producers, could result in opening up markets, not only in Denmark, but in Norway, Sweden, Finland, Canada and other countries as well. ■

The author is associate director of the American Soybean Association's North European office in Hamburg, West Germany.

Hungary Holds Potential for U.S. Oilmeal Sales

By Christian J. Foster

Although overall sales of U.S. soybean meal and cake to Eastern Europe have decreased substantially over the past few years, Hungary is one prospective bright spot for these products. In 1984, the United States exported $30.5 million worth of soybean cake and meal to Hungary.

Hungary depends on imported oilseed meal to supply a strong livestock sector that brings in hefty supplies of hard currency. In that respect, the country is unique within the East European region, which has fallen on hard times in recent years.

Hungary May Prove the Exception

Hungary is the largest per capita food producer in Eastern Europe, yet it may offer the best opportunity in that region for expansion of U.S. agricultural exports.

It also holds the leading position in agricultural reform. What sets the country apart is that, except for Romania, it is the only Council for Mutual Economic Assistance (CEMA) member that belongs to the World Bank and the International Monetary Fund. Hungary and Romania also have been granted "most favored nation" status by the United States.

Although Hungary is a net exporter of agricultural goods, it imports a sizable amount of farm products. The country's largest agricultural import by far is soybean meal, which is fed to the country's strong livestock sector.

Livestock production—primarily swine and poultry—receives a high priority because of the much-needed hard currency earnings it brings to Hungary from exports.

About two-thirds of Hungary's agricultural and food industry exports consist of animal and livestock products. Hungarian meat exports are the largest in Eastern Europe. According to one Hungarian economist, "nothing (in the farm sector) can replace meat production in terms of the volume of foreign exchange earned."

U.S. Could Capture Bigger Share of Hungarian Oilmeal Imports

Although Hungary's total imports of soybean meal may not increase by much during the next five-year plan (1986-90), there is a good chance that the United States may be able to capture a greater share of the market because of Hungary's goal of exporting more processed meat to the United States, according to James Freckmann, U.S. agricultural counselor in Vienna, who covers the region for USDA.

Freckmann says that during the next five-year plan, processed meat sales to the United States, primarily hams, are expected to reach $100 million, triple the current level.

The United States has been the second largest source of Hungary's soybean meal imports, accounting for about 20 percent of the average total volume of 600,000 tons in recent years. Hungary currently takes between 1 and 3 percent of total U.S. soybean meal sales. It is also the largest U.S. agricultural export item to Hungary, accounting for 50-80 percent of the total value of U.S. farm sales to the country.

U.S. Faces Stiff Competition

In trying to expand the U.S. share of Hungary's soybean meal imports, the United States faces strong competition from Brazil. The largest supplier of meal to Hungary, Brazil provides about 70 percent of the total tonnage of soybean meal imports.

Brazil's advantage in the Hungarian soybean meal market is due mainly to the existence of a government-to-government "clearing agreement" that includes provision for preferential financing of Brazilian exports to Hungary.

Strong Dollar Takes Its Toll

The high value of the U.S. dollar on the world market vis-a-vis other currencies has taken its toll on imports of U.S. farm products. The Hungarian market is no exception. At the same time, Brazil's highly devalued cruzeiro and the country's faltering external financial situation have created conditions under which Brazil is willing to trade at terms below the competition.

Another consideration, although apparently less significant in terms of Hungarian-Brazilian trade, is the use of countertrade or barter. Common among CEMA and developing countries, countertrade requires little or no exchange of hard currency and as a result is highly favored. This type of trading arrangement is advantageous to East European and developing countries, but it is not used as widely in the West.

To meet the competition in the Hungarian market, the United States has an ongoing market development program run by the American Soybean Association (ASA), which has been active in Hungary for eight years.

Most of ASA's projects are technical in nature, since the Hungarian livestock industry is highly advanced. Current projects include showing the Hungarians how to use U.S. soybean meal along with local products, such as high-moisture corn, more efficiently in the livestock feeding programs.

In another project, this one on waste management, ASA has brought in technical experts to help the Hungarians with the finer points of swine management. ASA also invited Hungarian government officials to ASA-sponsored conferences to meet with U.S. soybean meal traders.

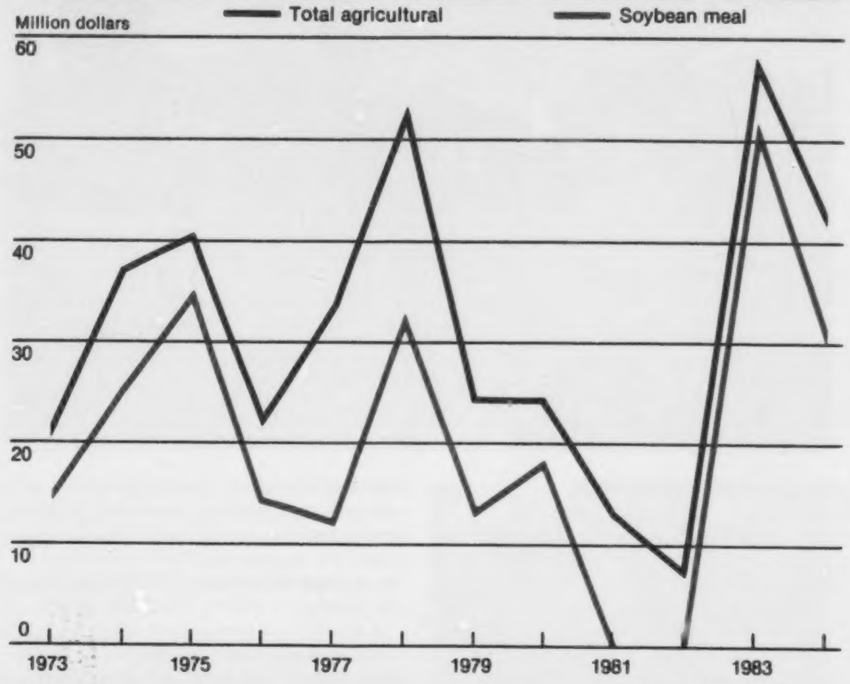
ASA has put considerable effort into building a good trading relationship with the Hungarians. Joe Zak, director of ASA's operations in Europe, Africa and the Middle East, calls Hungary one of the "bright spots" in Eastern Europe.

According to Zak, Hungary could increase its usage of soybean meal by 25 percent within the next 5 years. Although competition from Brazil is intense, Zak believes the Brazilians have about reached their production limit for soybeans. But the United States, he says, can increase its production to keep pace with growing overseas demand.

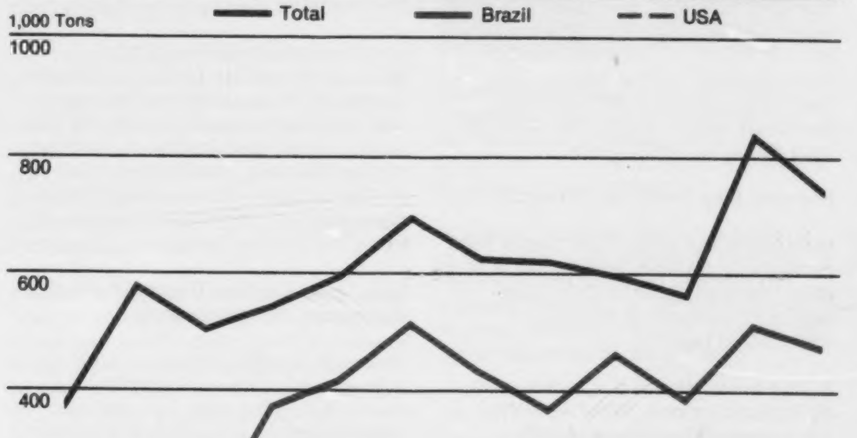
On September 3, Agriculture Secretary John Block announced the authorization of $22 million in Commodity Credit Corporation (CCC) credit guarantees under the GSM-102 program for Hungarian purchases of U.S. agricultural products for fiscal 1986. This is the fourth consecutive year the United States has extended CCC credits to Hungary. ■

The author is with the Eastern Europe and USSR Branch, Economic Research Service. Tel. (202) 786-1710.

U.S. Agricultural Exports to Hungary Were Mostly Soybean Meal in Recent Years



U.S. and Brazil Supply Bulk of Hungary's Soybean Meal Needs



Protectionism Threatens World Shipping

By Kay L. McLennan

Overcapacity in international shipping has triggered increased protectionism in ocean transport markets by foreign governments. The result: decreased competition that in the long run could lead to higher rates, reduced services and increased complexity in export transactions.

From agriculture's perspective, increased shipping protectionism is coming at a time when many feel that if U.S. farm products are to be competitive and U.S. farmers are to make a return on their investments, transportation costs must remain at the lowest possible level.

A Look at World Shipping

The majority of U.S. farm exports are transported by merchant ships. The world merchant fleet includes more than 25,000 vessels with a combined capacity of over 67 million deadweight tons (equal to the difference between the number of tons of water a vessel displaces when empty and when fully loaded).

There are two major types of services offered by the world fleet— charter and liner (See box, page 12).

Charter vessels carry dry bulk commodities. Generally, owners lease their ships for a set period of time or for a single voyage. The charter market is highly competitive with its services traded at major transportation market centers, such as the Baltic Exchange in London, and at worldwide points through telephone and teletype communications.

Because bulk grains—especially corn and wheat—make up the largest volume of U.S. farm exports, charter services are widely used by U.S. agricultural shippers.

Liner vessels typically carry high-value, packaged agricultural products and perishable fresh fruits and vegetables. Owners of these vessels provide regularly scheduled services over established trade routes at fixed freight rates.

In contrast to the highly competitive nature of bulk shipping, most liner carriers belong to one of the more than 100 "conferences" that act as cartels in which competitors collectively set rates and apportion cargoes. Whether a member of a conference or not, all carriers handling U.S. offshore commerce must follow certain regulations prescribed by U.S. shipping laws.

Surplus Shipping Space Plague Market Conditions

In step with the agricultural export decline, the charter shipping market has been depressed since the level of world trade started to fall in 1981.

Even the recent recovery in world economic conditions and the accompanying upturn in trade have not been large enough

World Fleet Offers Two Major Types of Services

	Liner	Charter
Types of Products Transported	High-value, packaged agricultural products and perishable fresh fruit and vegetables.	Dry bulk commodities like wheat, corn and soybeans.
Size and Characteristics of the Industry	Limited number of firms. Barriers to entry include high start up costs and closed ratemaking groups (called conferences) in many countries. In the United States, however, conferences are required to be open. Highly regulated—The Shipping Act of 1984 governs the operation of carriers.	A lot of firms, very competitive. Barriers to entry include high start-up costs. Buyers and sellers of services enter the market through brokers who act in their behalf. No regulatory body to interfere with the free market process.
Ratemaking	Ratemaking occurs within various conferences that operate on the different trade routes. There are some independent carriers who set their own rates.	Interaction of buyers and sellers determines the level of rates. Rates fluctuate continually, even from hour to hour.

either to notably offset the surplus of available shipping space or to appreciably raise freight rates.

Although average freight rates for moving grain from the U.S. Gulf to Rotterdam dropped from $18.15 per ton in 1980 to $8.95 in 1984, the lower rate still represents a 60 cents-a-ton strengthening from the previous year.

The world order book of new vessels and the phasing out of older vessels followed a pattern similar to freight rates. All have decreased dramatically since 1980, although a slight improvement has occurred in the last year or so. Despite the small upturn, the amount of surplus tonnage remains large.

Overall, conditions in the liner market are somewhat better than in the bulk charter market. While 1984 was a successful year for carriers operating in the U.S. liner trades, the first two quarters of 1985 were disappointing at best. Yet, it is likely that the most recent deterioration of the liner market simply reflects the fact that 1984 was an exceptional year.

Looking into the future for both charter and liner markets, there is some optimism for improvement based largely on such factors as declining petroleum prices and positive signals from manufacturers and producers of raw materials.

Current conditions in world shipping markets are having good and bad impacts on agricultural exporters. On the positive side, lower freight rates bolster the U.S. ability to export to certain markets and add increased profits from foreign sales. On the negative side, there is the protective movement among foreign governments to tighten their national shipping lines, thus threatening the short-term gains.

Protectionism Takes Various Forms

From historic times to the present, all maritime nations have employed various means to protect their national shipping. The most common form is by reserving certain cargoes for national carriers.

In industrialized or developed countries, this is achieved through closed conferences. In the United States, however, conferences are required by law to be open to all who wish to join. In less developed or developing countries, government intervention is typically more pronounced with state ownership of shipping lines.

U.S. maritime laws provide for two types of cargo reservation. All cargoes carried in domestic intercoastal trades and a certain portion of government-impelled cargoes (cargo that is owned or financed by the U.S. Government) are reserved for U.S. built, owned and crewed vessels. The latter form of reservation is called cargo preference.

Also, the United States is party to bilateral cargo-sharing agreements with Brazil and Argentina and has had these types of agreements with other nations, such as the Soviet Union and China. ■

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1987 NASDA Food and Agriculture Show: The Time to Prepare is Now

By F. Farrell Higbee

Now is the right time for exhibitors and potential exporters to begin planning how they will participate in the National Association of State Departments of Agriculture's third biennial Food and Agriculture Exposition, scheduled for April 29-May 1, 1987, in Seattle, Washington.

A major theme of the NASDA Exposition will be trade opportunities within the Pacific Rim nations, perhaps the world's fastest growing market for agricultural commodities and one that is increasingly open to changes in diet and new food tastes.

Seattle was chosen as the location for the show so that visitors from Pacific Rim nations could meet U.S. companies while en route to other U.S. locations. The NASDA show also will emphasize export education, teaching inexperienced and seasoned exporters alike how to be more successful in international trade.

NASDA Show Is Unique Event

The exposition, co-sponsored by the Foreign Agricultural Service, is the only food and related products show designed exclusively to make U.S. products and suppliers from all parts of the country easily accessible to traders from around the world.

As a new feature to the NASDA exposition, domestic buyers also will be invited to participate on the last day of the show.

The first two NASDA Expositions attracted visitors from more than 80 nations. Potential buyers represented catering firms, department stores, supermarkets, cooperatives, hotels, restaurants, wholesalers, health food stores, fast food chains and beverage and processing industries. They came to the show because it offered direct access to many unique products not shown elsewhere, including new U.S. foods, seed, forest and nursery products.

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The slate of the 1987 show's programs and seminars will be expanded to meet the needs of an audience which includes small and large companies, new and experienced exporters and foreign visitors from many countries seeking a wide variety of products.

The exposition also will feature an Education Center with numerous government agencies and trade-related groups displaying services and providing consultations for exporters and overseas visitors.

Exhibiting exporters will have access to numerous assistance programs, such as those provided by the Export Programs Division of FAS. Overseas visitors will be able to meet many promotion groups capable of helping them locate ideal suppliers. ■

The author is the NASDA Exposition Director, Washington, D.C. Tel. (202) 628-8096.

Fact File

International Commodity Agreements: Price Stabilization Tools?

Commodity prices can fluctuate widely because of supply disruptions, changing needs or increases in world production. Over the past two decades several international agreements have been developed in an attempt to stabilize prices.

These agreements typically include a price range maintained by regulating supplies—either through export quotas or through internationally controlled buffer-stock facilities.

Other types of commodity agreements have attempted to establish forums of consumers and producers to discuss commodity issues and to provide focal points for commodity research, development and marketing.

Producers frequently have sought to stabilize prices and export earnings. Some hope not only to moderate price fluctuations but to raise commodity prices, particularly in the face of rising costs of imported manufactured goods. On the other hand, consumers are interested in agreements that provide supply assurances and minimize sharp price fluctuations.

Recently, consumers and producers have become skeptical about the usefulness of international price-affecting agreements, although some believe they play a useful role for commodities such as rubber, coffee and tin.

Negotiations were concluded in 1980 to establish a Common Fund for Commodities to pool the financial resources of associated international commodity organizations and jointly support various buffer-stock operations. To date, countries have not pledged sufficient contributions to bring the fund into force, nor have existing international commodity organizations taken steps to associate with the fund. The United States has declined to participate because of doubts about the fund's ability to fulfill the role set for it.

U.S. Participation

The United States is a signatory to two international commodity agreements that attempt to stabilize prices: The International Coffee Agreement and the International Natural Rubber Agreement. In July 1984, the United States participated in renegotiating the International Sugar Agreement, which failed to achieve a consensus for the extension of economic provisions. Although enjoying wider membership than before, the new Sugar Agreement exists only as a statistics-gathering mechanism and as a forum to discuss market conditions.

The United States belongs to several producer-consumer forums—the International Lead and Zinc Study Group, the International Rubber Study Group, the International Jute Organization, the International Cotton Advisory Committee, the International Sugar Organization and the International Tropical Timber Agreement. However, the United States declined to join the International Cocoa Agreement and the current International Tin Agreement because their economic provisions—the price range for cocoa and the size of the buffer stock for tin—are considered to be unrealistic and do not protect the interests of consuming countries.

U.S. Policy

The United States believes that international trade conducted through free markets is the most beneficial. However, proposals are considered on a case-by-case basis for economically sound, market-oriented commodity agreements that offer a balance between producer and consumer interests. Factors considered are the need for and feasibility of an agreement, as well as the proposed economic provisions. The compatibility of the proposed price range with the long-term market trend for the commodity is carefully examined. The United States also requires that the proposed price-affecting mechanism be flexible enough to affect both upward and downward price fluctuations.

Hong Kong Meat Market Grows More Promising

By Steve Washenko

People in Hong Kong are among the world's highest consumers of protein. As a result, U.S. meat exporters, already significant suppliers of bone-in beef to the Hong Kong market, can expect growing opportunities.

Pork is the most popular meat among Hong Kong consumers. About 10,000 live hogs are slaughtered every day, and an average of 150 tons of imported frozen and chilled pork are consumed each day. More than 80 percent of the live hogs come from China. Locally raised hogs, which account for less than 20 percent of the market, command a higher market price due to their higher quality. Because Hong Kong consumers prefer fresh meats to frozen, fresh pork holds close to 50 percent of the pork market.

Frozen pork has been gaining in popularity, particularly as prices of frozen pork are generally 20 to 30 percent below the prices of fresh pork. In addition, as more wives work, they can no longer afford to frequent the wet market for freshly slaughtered pork for every meal. Shopping a few times a week and storing frozen pork in the refrigerator has become a convenient necessity. The expanding catering trade also prefers frozen pork to fresh pork because of the price differential.

Apart from ribs, pork is sold mainly as boneless meat. The consumers' criterion for quality is the ratio of lean to fat rather than the particular cut of meat.

There are only a few large industrial meat processors in Hong Kong, producing cooked ham, canned picnic shoulders and various sausages. There are numerous small manufacturers of Chinese preserved meats and sausages.

Beef Is Gaining Popularity

Although the consumption of beef in Hong Kong is far below that of pork, it is a myth that Chinese do not like beef. For centuries, cattle were used in China as draft animals rather than for beef and milk, which helps explain why beef is not as common as pork in the Chinese diet. The comparatively more expensive price for beef also figures in the consumers' preference for pork.

Consumption of beef has been rising rapidly in recent years with the growing popularity of hamburger among young consumers and of steak among the increasingly affluent upper middle class and tourists.

About 600 head of cattle are slaughtered every day and about 75 tons of imported fresh and frozen beef are consumed each day. The sole supplier of live cattle is China, with small numbers coming from Australia, Thailand and local farms.

In 1984, the United States was the No. 1 supplier of fresh and frozen beef (bone in) to Hong Kong, providing 209 metric tons or 49 percent of total imports. For ground beef imports, however, the United States fell far behind Australia, and in the boneless beef group, far behind China, Brazil, Australia and New Zealand.

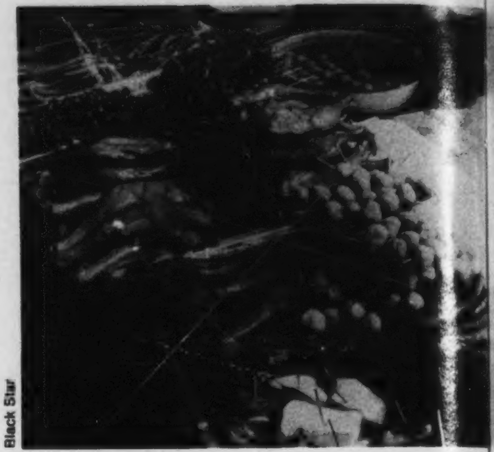
While U.S. beef is generally recognized for its high quality, its relative high price prevents U.S. exporters from gaining a larger share of the market.

Depending on the grades, U.S. beef is about 20-50 percent more expensive than Australian and New Zealand beef. For that reason, U.S. beef can only compete for the quality market, which is generally limited to hotels and top restaurants.

Frozen and chilled beef are imported mainly from China, Australia, the United States, New Zealand and Brazil.

Lamb Less Popular

While mutton in Hong Kong is not a meat for all seasons and is eaten only in the winter, lamb chops are served in Western-style restaurants year-round. However, these meats are much less popular than beef and pork. No lamb or goats are raised for meat in Hong Kong. The territory imports more than 2,000 tons of lamb and goat meat every year.



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Import Distribution

There are about 16 firms in Hong Kong which import frozen meats from China and some 80 importers of frozen meats from other sources. Frozen meats are sold at retail meat stalls in the wet market, frozen meat shops, supermarkets and shops.

Frozen meats are classified as reserved commodities and can only be imported by registered importers. All imported frozen meat products must be accompanied by an official health certificate issued by a competent authority of the country of origin. Frozen meat imports are subject to the inspection of government health inspectors upon arrival. An importer of frozen meat must apply for an import license for every consignment of frozen meat.

Market Opportunities Could Develop

Beef stands as the meat with the most potential for expansion in the Hong Kong market, because of the expanding tourist trade and the increasing number of Westernized upper middle class. Pork and mutton are not as competitive. Nevertheless, if U.S. meats could be made available at competitive prices, the potential in the medium-price range market would be considerable. ■

The author is assistant to the Assistant Administrator for Foreign Agricultural Affairs, FAS.

U.S. Maintains Strong Role In Hong Kong Fresh Fruit Market

By Michael L. Humphrey

Hong Kong is one of the largest and most competitive markets for fresh fruit in Asia, importing roughly $240 million worth in 1984. While the territory produces about 5,000 metric tons of tropical fruits each year, some 400,000 tons of fruits are consumed by its 6 million inhabitants.

Because Hong Kong is a free port and an open market, fruits from all over the world compete entirely on price and quality. A number of U.S. fresh fruits have been successful in this market for a long time. For example, Hong Kong is one of the largest export markets for U.S. oranges, grapes, melons, lemons, apples, plums and prunes. The market potential for other U.S. fruits still awaits exploration by U.S. exporters.

Imports from other sources include bananas and pineapples from Taiwan; mangoes, papayas and durians from Southeast Asia; pears from Japan and Australia; and mandarines, lychees and longans from China.

Oranges Top Citrus Fruit Import List

Citrus imports were 142,000 tons in 1984, accounting for 37.5 percent of total fresh fruit imports. Fresh oranges are Hong Kong's largest fruit import item. Hong Kong imported 113,000 tons of oranges in 1984, with 103,000 tons coming from the United States. Hong Kong's per capita consumption of oranges was 20 kilograms annually, probably the highest in the world.

The fresh orange market in Hong Kong is dominated by the United States which accounts for over 90 percent of the imports. The majority of these oranges are grown in California. China, South Africa and Thailand together account for about 5 percent.

The people of Hong Kong love oranges for a number of reasons. Many Chinese apparently believe that the orange is the best and most healthy of all fruit. Oranges are believed to be beneficial to all, including pregnant women and the sick.

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The high quality of U.S. oranges has earned a good name for the fruit. And, more important, demand is well met by a constant supply all year round.

Other citrus fruits imported include lemons, mandarines, tangerines and grapefruits. The United States again dominates the supply of grapefruits and lemons.

Hong Kong Consumers Enjoy A Variety Of Noncitrus Fruits

Apples, pears and grapes are also popular fruits among Hong Kong consumers. Imports of these three fruits totaled 111,000 tons in 1984, accounting for about 29 percent of total fruit imports. The United States, China, Chile, Japan and Australia were the primary suppliers.

The United States has the lion's share of the import market for apples and grapes, accounting for 65 percent of grape imports and 69 percent of apple imports in 1984. About 75 percent of the imported pears came from China, 13 percent from Japan and 8 percent from Australia.

Hong Kong is well supplied with tropical fruits from Asian countries. Imports include mangoes from the Philippines, papayas from Thailand and bananas from both countries. These, together with pineapples and other tropical fruits, added up to an import value of about $18.5 million in 1984.

Chinese consumers in Hong Kong are very fond of seasonal specialty fruits. Durians from Malaysia and lychees and longans from China are in high demand when the fruits are in season. These items may command a very high price in years when the crops are short. Consumers appear willing to pay a substantial premium for a crop which is available only for a short period of time.

Many Channels Are Used To Distribute Fruit

Imports of fresh fruits from producing countries are generally handled by importers or agents who sell to wholesalers who in turn sell to retailers at a commission.

Fresh fruits are marketed at the retail level through supermarkets, grocery stores, wet markets, fresh food stalls and hawkers on the street. While supermarkets generally offer fruits of the same kind at uniform prices by piece or by weight, other retailers offer the same fruits at a full range of prices even for slight variations in grade, color or size.

In addition to oranges, U.S. apples, lemons and grapefruits also are well recognized as quality products in this market. While the prices of these fruits are generally much higher than Chinese or Australian products, the United States is still able to maintain the largest market share due to recognized better quality.

The expanding population of Hong Kong, coupled with both the steadily rising standard of living and the growing health consciousness of consumers, will probably favor these U.S. items.

Potential also exists for larger sales of such items as avocados, berries and cherries. Consumption of these fruits has shown some increse in recent years, although their respective shares of the fruit market are still small.

These small shares may be attributed to the fruits' high price tags and the fact that these products are not familiar to the average consumer. Sales of these products have not gone much farther than to foreign visitors and to hotels. However, with adequate promotional effort, sales might be expanded considerably to the growing number of middle-class consumers.

A difficulty faced by U.S. fresh fruit is the high freight cost, especially for small quantities of goods. Because Hong Kong is a very competitive market and there is a great abundance of low-priced fruits from China, Taiwan and neighboring producers of fruits, U.S. produce can only survive in this market with either outstandingly high quality or competitive prices.

Bright Outlook for Exports

The outlook for U.S. fresh fruit exports to Hong Kong is good, despite increased competition in some commodity markets.

Exporters offering superior quality, consistency or a product that can be differentiated in some other manner—such as having a Western appeal—can expect sales growth to continue.

In addition, the continued growth of western-style food outlets should ensure a place for U.S. fruit exports well into the next decade. ■

The author is the agricultural officer in Hong Kong.

Country Briefs

Hong Kong:

Competition Remains Stiff in Poultry Market

Imports of most poultry items will probably continue to rise to meet the expansion in market demand. China, the United States and Japan remain the major suppliers of poultry to Hong Kong. However, imports from the European Community more than doubled in 1985 over year-earlier levels and U.S. chickens will continue to face strong competition from lower priced EC products. With the increased imports from the EC, it may be necessary for U.S. exporters to create an image for their products to distinguish them from products of other suppliers in order to retain or expand the U.S. market share.

Hong Kong's own poultry industry continues to face keen competition from farms across the border in China where both land and labor are cheaper. The effects of the shutdown of many of Hong Kong's chicken farms after the 1983 ban on the use of growth hormones are still evident—although no further declines in production were expected in 1985. However, some farms have shifted from raising chickens to pigeons, and local production of pigeons and quails has managed to move up despite increased imports from China.—*Michael L. Humphrey, Agricultural Officer, Hong Kong.*

Malaysia:

Chinese Cotton Sales Could Trim U.S. Exports

One of the most significant developments for the cotton trade in Malaysia has been the emergence of China as an important supplier. From no sales at the start of the 1980's, Chinese cotton exports were up to 1,080 tons or 4 percent of the market by 1984. Despite this impressive growth, the Malaysian industry is still somewhat cautious in its purchases of Chinese cotton because of concerns about inferior and inconsistent quality as well as unreliable shipping schedules. However, as China becomes more familiar with internaitonal marketing practices, it is probably inevitable that they will become a formidable competitor with the United States in the Malaysian and other Asian cotton markets.

The United States is generally regarded as the most reliable supplier with the ability to deliver a quality product within a reasonable shipping period. However, intense compeitition from other lower priced foreign growths, the strong dollar vis-a-vis the Malaysian ringgit, and comparatively high freight rates have cut sharply into U.S. sales to Malaysia this season.

The long-term outlook for Chinese cotton in Malaysia will be determined by the ability of the Chinese cotton industry to improve quality and eliminate transportation bottlenecks. There are parallels to this situation in the corn trade. A few years ago, the Chinese were making a strong push into this market, threatening corn imports from Thailand. However, China has since retreated from the Malaysian corn market, preferring instead to service the much larger markets of Japan and Korea. Consequently it is possible that the Chinese will first try to service the other large cotton importing countries before turning their attention to the Malaysian market, which is relatively small. In any event, substantially larger sales of Chinese cotton to other Asian countries will inevitably hurt U.S. sales in this part of the world.—*Frank J. Tarrant, Agricultural Attache, Kuala Lumpur.*

Peru

New Trade Measures Encourage Imports of Farm Equipment

The government recently implemented several measures regarding foreign trade in order to protect and encourage domestic production as well as to improve consumers' purchasing power. While U.S. commercial sales to Peru are minimal—our position in the market is largely determined by P.L. 480 programs—there are some measures that might be of interest to U.S. agricultural exporters:

—In order to encourage domestic agricultural production, the general sales tax of 11 percent was waived on imports of certain types of agricultural equipment already eligible for duty-free entry. In addition, the government is allowing independent imports of several new items, provided that they are directed to the agricultural sector and that they do not compete with locally made products. The new items include pipes and accessories for irrigation, tractor tires, sprayers, irrigation systems, seeds, planters, plows, harvesters, threshers, forage cutters, milking equipment, fertilizer mixers, 35/180 horsepower tractors and semen storage tanks.

—At the same time, imports have been prohibited of such items as horses; bacon; evaporated and condensed milk; cheese; butter; eggs in shell; honey; most fresh, dry and preserved fruits and vegetables; grain flours; margarine; sausages; chocolates; mustard; wine; beer and cigarettes. Most of the prohibited items are of little significance to U.S. traders, except for popcorn.

—The government is rebating taxes of 20 percent of the f.o.b. export value for apples, pears and quince and 19 percent for olive oil. However, since local production hardly supplies domestic demand, it is doubtful that Peru could become an important exporter of these products in the near future.—*Kenneth L. Murray, Agricultural Attache, Lima.*

Singapore:

Shopping Habits Undergo Change

The Singapore Government has announced that no more wet markets—open markets which sell fresh meat and produce—will be built in government housing projects in order to keep the environment clean and hygienic. In their place the government is encouraging construction of air-conditioned, self-serve dry markets which will carry a wide range of farm products and fish.

The first such market to open has electronic and computerized weighing machines. Its poultry slaughtering and food processing centers deliver products such as duck, chicken and pork three times a day in trucks with cold storage facilities. Dry markets will remain open longer than the wet markets, which typically operate from 6 a.m. to noon. They also will sell a wider range of products.

Another way of grocery shopping that is catching on in Singapore is the mini-supermarket. For example, there is one company which is already supplying a chain of 124 minimarts with a wide range of products. The chain consists mostly of former provision shops—stores which provide home delivery of groceries—which have been converted into modern miniature supermarkets.—*James Y. Iso, Agricultural Trade Officer, Singapore.*

Singapore

New Soybean Dessert To Be Launched

A soft drink manufacturing company has announced plans to manufacture a soybean-based frozen dessert that will be very much like ice cream but will contain no milk. The company believes that there is a large market for this product in Singapore because about 45 percent of the country's Chinese, approximately 500,000 people, are lactose-sensitive.

The company is aiming at an adult market. It plans to emphasize the lactose and cholesterol-free features of the product and market it as a premium quality, preservative-free frozen dessert priced somewhere between locally produced and imported ice cream. The dessert will come in chocolate, strawberry and coconut flavors.—*James Y. Iso, Agricultural Trade Officer, Singapore.*

Spain:

Cut in Textile Output Could Hurt U.S. Cotton Sales

Spain's Intertextile Council is projecting that Spanish textile exports in 1986 are likely to decline by about a fifth as a result of both the establishment of the value-added tax on January 1 to accompany Spain's accession to the European Community and the simultaneous elimination of the tax rebate on exports and the Spanish compensatory duty on imported products.

Based on the latest available data for textile production and cotton imports, this suggests that Spain's cotton imports in 1986 could decline by as much as 13,000 metric tons, from roughly 64,000 tons to 51,000 tons.—*Edmund L. Nichols, Agricultural Counselor, Madrid.*

Taiwan:

Prospects for Beef Cattle Imports Improve

Taiwan's top agricultural authority, the Council of Agriculture, has decided to emphasize the beef and dairy industries equally instead of its previolus "dairy only" policy. The council reportedly will encourage yearly imports of about 2,500 high-quality beef breeding animals. The new policy, which still needs final approval, is designed to prevent further reductions in Taiwan's beef herd, which has shrunk by almost 8 percent a year since 1981. At the same time, beef consumption has grown at an annual rate of 11 percent.

Meanwhile, the Taiwan Sugar Corporation is also looking to beef production as a means to diversify and to utilize lands idled by the recent cutback in sugarcane production. The corporation already produces hogs and pulp in addition to sugar. The corporation was expected to buy 725 head of beef cattle from the United States in 1985 and may import additional animals in the future.—*John T. Hopkins, Agricultural Officer, Taipei.*

Thailand:

Cracking Nut Market Presents Some Difficulties

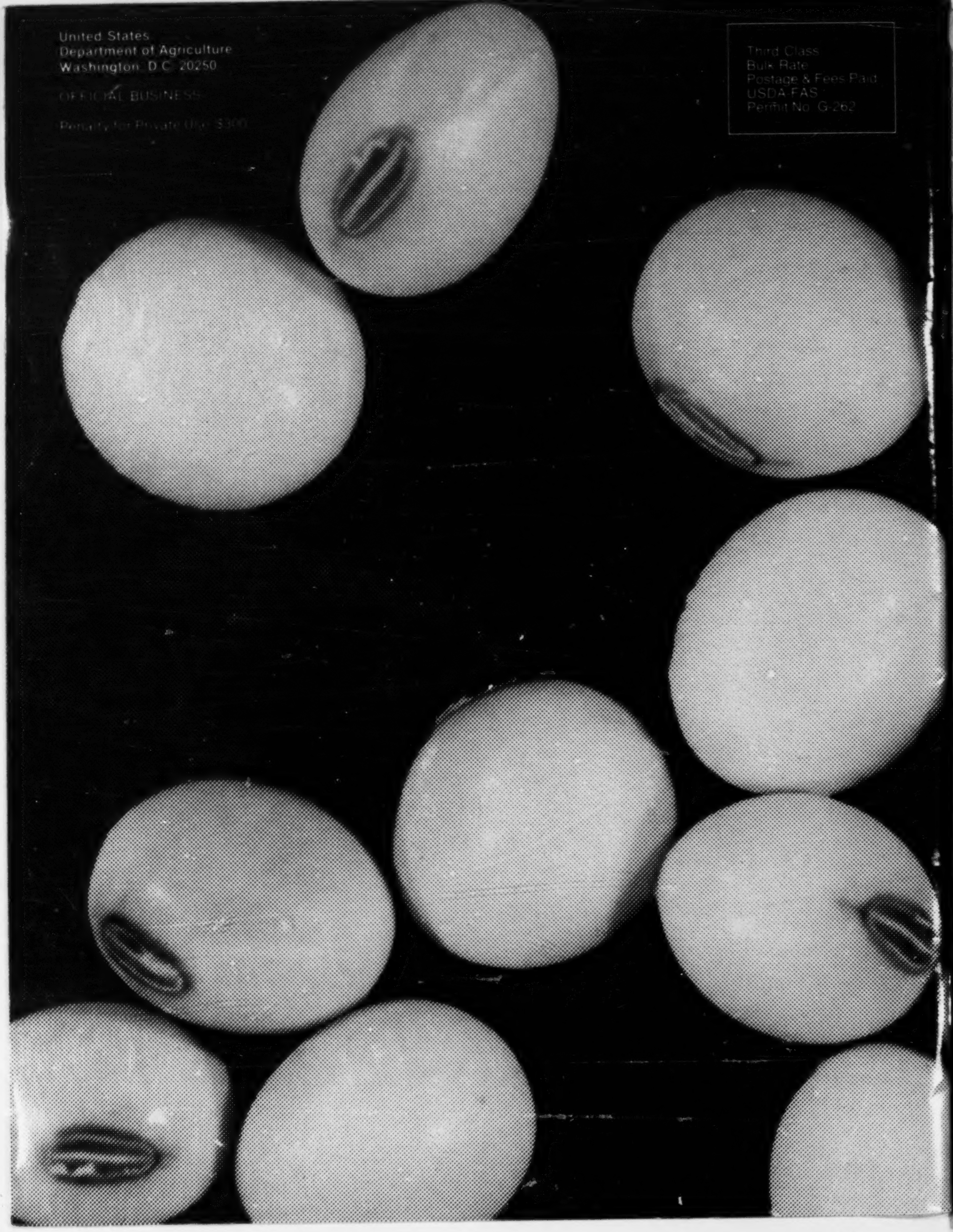
Although tree nuts are not a major import item, Thailand's purchases have increased sharply in recent years—rising from $82,000 in 1974 to more than 11 times that level, $930,000, by 1984. Due to very high import duties and difficulties in obtaining import licenses, smuggling is prevalent and the actual market may be as much as three times as large as official trade data suggest.

After chestnuts (which are imported from China), almonds are the most popular nut import. U.S. almond exports to Thailand, after averaging nearly $40,000 during the 1980-82 period, increased to $153,000 in 1984. Almonds accounted for two-thirds of all exports of tree nuts from the United States during the last five years. U.S. export statistics suggest that purchases are evenly divided between almonds shipped in 6- to 10-ounce packets or cans and 25-pound boxes of bulk raw almonds. The latter are normally sold to bakeries and hotels while the packaged almonds move mainly to small family-owned shops as well as supermarkets.

Almonds in bulk pack and chestnuts generally are imported throughout the year. Walnuts, hazel nuts, pistachios, Brazil nuts and mixed nuts are usually imported only around Christmas and New Year's.

As a "food" product, nut importers are required to apply for an import license—which costs about $555.55 per food item. Licenses are valid for three years. Importers must also obtain label clearances and, if the nuts are imported in sealed containers (air-tight and moisture-proof cans, bottles, foil packaging, etc.), they are subject to product analysis. If the analysis is satisfactory, importers are required to register the canned nuts as "controlled food products" at an additional cost.

Importers may have to pay as much as $800 per type of canned nut for the clearances needed to obtain import permits. It also takes at least three months (and normally 6-12 months) to process the clearance if all the documents are in order.—*Thomas Slayton, Agricultural Attache, Bangkok.*



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Marketing News

Forest Industry Hosts Chinese Team

The **National Forest Products Association (NFPA)** and the **American Plywood Association**, along with five paper companies, recently hosted a team of engineers from China's Ministry of Forestry. The team was headed by Lin Longzhou, Deputy Director of Planning.

The team was in the United States to learn about U.S. wood, panel production, utilization, lamination of wood panels and the sale of both plywood and non-veneer panels. In Washington, D.C., the team visited USDA's **Forest Service, Foreign Agricultural Service** and the NFPA's headquarters. It also visited various waferboard and plywood plants, as well as the Forest Service's Forest Products Laboratory in Wisconsin and the North Central Experiment Station in Minnesota.

U.S. Steaks Promoted at German Tennis Tournament

More than 150 U.S. steaks a day were sold at a special U.S. beef stand sponsored by the **U.S. Meat Export Federation (MEF)** at the Fila Tennis Tournament in Berlin. The steaks were prepared on a charcoal grill set up on one of the tennis courts. More than 30,000 people visited the seven-day tournament, including several restaurant and food retail people who have since placed orders for U.S. beef with their local meat importers.

Japanese Supermarket Managers Meet With U.S. Industry Reps

MEF/Tokyo's marketing specialist Susuma Harada accompanied meat department managers from five major supermarkets in Japan on a visit to MEF-member meat packing plants in the United States last fall. The visit was cosponsored by the MEF and the Japan Chain Stores Association.

"Because Japanese supermarket chains are purchasing more products directly from U.S. suppliers, MEF brought this team to the United States to meet with U.S. exporters and to see the types of products exporters have to offer," MEF Asian Director Phil Seng said.

MEF also coordinated visits to member meat plants for Japanese trade teams representing the Sho-Gyo-Kai Publishing Company (restaurant owners) and the Tokyo Meat Wholesalers.

First Baking Program Held In Soviet Union

U.S. Wheat Associates (USW) recently completed a promotional baking activity in the Soviet Union. Experts from the American Institute of Baking presented a two-day overview of the U.S. baking industry to about 50 Soviet specialists from various research and development institutes, individual bakeries, equipment importing organizations and the milling industry.

For USW, the seminar represented the first opportunity to meet with a group of Soviet endusers of U.S. wheat. Although USW has previously conducted activities with the Soviet Union, they focused on decisionmakers, at Soviet officials' requests.

"Most likely the Soviet decision to support the seminar reflects a broader policy decision to encourage technical cooperation with U.S. organizations, as other similar projects proposed by other U.S. agricultural organizations were approved at the same time," according to USW President Winston Wilson.

The program consisted of a one-day presentation by the American Institute of Baking on U.S. baking technology and processes, followed by a second-day review of equipment in use in U.S. bakeries. The Soviet specialists expressed considerable interest in both presentations. Based on their requests, USW plans to develop additional program proposals for future consideration. The next is likely to be in flour milling or pasta production.

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West Germany Remains Strong Port for U.S. Farm Goods

By Richard L. Barnes

West Germany is the world's largest importer of agricultural products. In 1984, agricultural imports from all sources totaled $21.1 billion. In local currency, 1984 imports were 9 percent above 1983 levels.

West Germans rank among the wealthiest consumers in the world, at about $10,000 per capita. Shoppers are prepared to spend more money for foods—and not just for essentials. There is a growing taste for delicatessen items and new-to-market foods, many coming from foreign countries.

Apart from a high rate of unemployment in West Germany, economic prospects are bright. Indications are for an increasing number of jobs and rising disposable incomes.

Overproduction Cuts Into U.S. Exports

West Germany's small arable land surface has its southernmost border on roughly the same latitude as Duluth, Minn. Despite its northerly position, the country has made impressive advances in its own food production during the last several years. Farmers and policymakers alike are beginning to worry more about how to dispose of surplus production in future years than about seeking self-sufficiency—a preoccupation of the post World War II years.

West Germany already produces more dairy products, beef and sugar than it can consume domestically; and it borders on self-sufficiency in most food and feed grains.

Ever-increasing production has been stimulated in part by the European Community's (EC) Common Agricultural Policy. Even in the face of rising output, farmers have responded to higher support prices by producing more.

As production in Germany and in other EC countries rose, the EC responded by rigorously enforcing policies designed to increasingly restrict third-country imports.

The United States, which has played a particularly important role in supplying West Germany's huge import requirements, has felt the brunt of these policies and other influences that have hurt the U.S. market. Increased import restrictions, combined with other factors, forced a decline in German imports of U.S. agricultural products from their peak of $2.9 billion in 1980 to $1.74 billion in 1984.

Imports of U.S. Grains Have Dwindled

Only six years ago, the United States supplied 1.8 million tons of corn to West Germany. As local and EC grains and other feed sources expanded, U.S. shipments dwindled to only 779,000 tons in 1983, and to 594,000 tons in 1984.

U.S. corn exports recently have been almost exclusively for starch production. When the 1985 figures are tallied, corn exports to West Germany are expected to suffer another sharp drop as the starch industry uses more EC-grown grains to meet its needs.

U.S. wheat exports have suffered the same fate over recent years. Rising EC production and corresponding measures to make third-country wheat less competitive have forced total non-EC West German wheat imports down to a mere 151,000 tons in 1984 (including durum and 93,000 tons imported from the German Democratic Republic).

Only six years ago, West Germany imported 520,000 tons of wheat from third countries. The United States supplied only 55,000 tons in the 1984/85 marketing year compared with 391,000 tons in the earlier period. This is the lowest amount since 1960.

While the EC raised feed grain support prices to excessive levels, West German farmers used more of other feedstuffs from outside sources. Tapioca from third countries—bound at low duty and combined with duty-free oilseed meal and other nongrain feeds such as corn gluten and beverage byproducts—were found to provide valuable ingredients for balanced rations. Farmers and consumers alike have benefited from the liberal access to the world market.

Until recently, rising livestock and poultry product output resulted in expanded use of higher protein-containing ingredients. The end effect was that West Germany's total import bill remained steady despite reduced grain imports.

However, the EC's own rising production of sunflowerseed and rapeseed, along with the imposition of the EC dairy quota and the attendant 7.7-percent reduction in West Germany's fluid milk production, plus several other factors, led to a sharp drop in oilseed and product and nongrain feed imports in 1984. Combined 1984 imports of those products were down about a tenth from the 15.7 million tons imported in 1983.

In addition, an explosion in one of West Germany's 10 soybean processing plants caused a reduction in imports and crushings in 1983-84.

In 1984, imports of oilseeds and products from the United States dipped to $794 million, down 24 percent from the previous year, and down about 46 percent from their peak in 1980.

The U.S. share of this market plummeted from its traditional level of over 85 percent to 68 percent last year. Traditionally, oilseeds and products have amounted to more than half of West Germany's total agricultural imports from the United States.

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PAUL NEUENDORF & CO BOCHUM

Nongrain feed imports, the second largest U.S. export to Germany, increased to $282 million in 1983 before falling to $263 million in 1984.

Export Prospects Show Promise

Despite the sharp drop in West Germany's imports of U.S. agricultural products over the past years, it remains one of the larger customers for U.S. farm goods, taking over $1.7 billion in 1984. And the outlook for the future shows promise of improvement with a lower valued dollar. With increasing competitiveness, the United States should be able to recover some of the lion's share of the soybean market it enjoyed up to 1983.

Now that West German dairy farmers have reduced production to comply with the EC-mandated marketing quotas, the future for U.S. shipments of corn gluten feed and other nongrain feed ingredients should be brighter. As with oilseeds, a more favorable exchange rate should result in an upswing in the demand for such products from the United States.

Barriers Don't Affect Some Products

Besides animal feed ingredients, there are many products which cannot be grown in adequate quantities in the EC, and as such, have not experienced the severely restrictive trade barriers imposed by the Community. The United States has done very well in supplying West Germany with these items—despite the inflated dollar.

West Germany's third largest agricultural import from the United States is tobacco, taking over one-third of its total tobacco requirements from U.S. sources.

U.S. cotton shipments to West Germany have averaged well over 50,000 tons annually over the past several years. Producers have held their own on the German market despite the high dollar and intense competition from other suppliers.

The United States has traditionally been West Germany's largest supplier of tree nuts, with over 60 percent of the market. Recognizing the importance of West Germany as a market with significant potential, U.S. pecan producers recently initiated an intensive campaign to increase sales.

The U.S. peanut industry, too, has intensified activities in cooperation with a group of major West German companies. One- and two-pound packages of roasted in-shell Virginias identified as of U.S. origin are visibly gaining in West German food stores this season. The value of U.S. peanuts sold here in 1985 should reach about $20 million, and the outlook is for further expansion.

Recognizing the potential for increasing the total market and market share for raisins, the U.S. industry intensified its market development program starting in 1984. Since the beginning of the campaign, demand for U.S. raisins has surged, and exports have increased accordingly.

Given the strong consumer purchasing power and the adaptability of the German palate, the opportunity to introduce new products into the country is immense.

A short trip through any of the country's major food store chains demonstrates a vast range of food and beverage items. With adequate market research and intensive follow-up promotional activities, the opportunity to increase exports of U.S. high-value items is considered to be very bright.

Germany a Formidable Exporter

Rising surplus production has brought on an attendant increase in West Germany's agricultural exports. Food, feed and beverage exports jumped 45 percent from 1980 to $10 billion in 1984, making West Germany the world's fourth largest exporter of agricultural products.

While the largest share of U.S. agricultural shipments to West Germany is bulk, Germany's exports consist primarily of processed, high-valued items.

Dairy products are by far the largest category, comprising almost a fifth of the export total. Meats and sausage, oilseeds and products (mainly of vegetable fats and protein meals from imported raw materials), coffee and tea and tobacco products each account for roughly a tenth of total shipments. Other big groups, primarily originating from domestic crops, are wine and beer, grains and flour, fruit and vegetables.

West Germany's largest agricultural customers are its neighboring EC trading partners. Two-thirds of the country's total shipments go to these countries, where producer prices and other policies affecting the agricultural industry are similar. Italy, France and the Netherlands are the major customers.

West German exports to the United States have more than doubled since 1980 to $456 million in 1984. Largest among all groups are beer and wine, which accounted for one-third of exports. Roasted coffee ranks third, followed by fruit and vegetable preparations and cheese. The United States takes 4-5 percent of Germany's total agricultural exports.

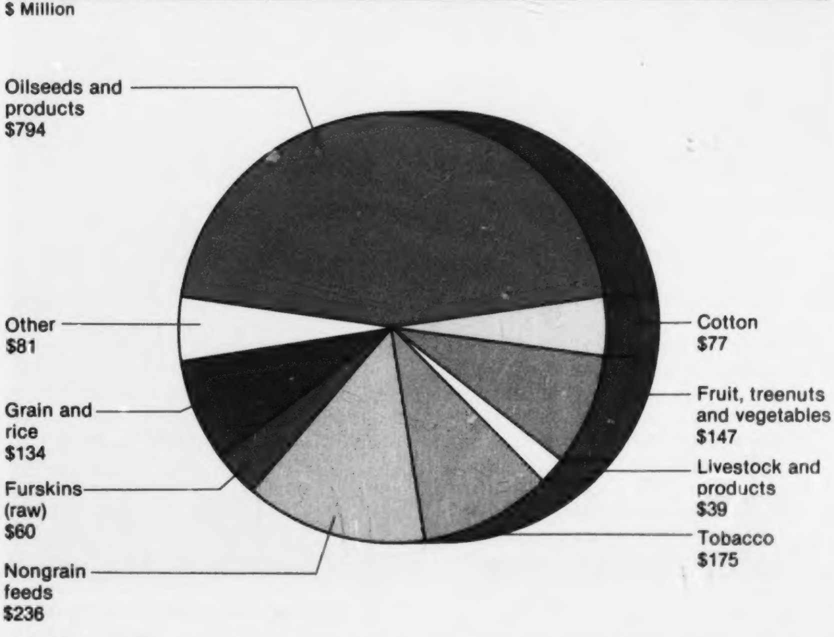
West Germany's success in exporting to third countries is due in part to various forms of financial support provided by the EC. Grains and beef carcasses, for example, enjoy massive export subsidies. Higher value, processed products also receive assistance.

This help can take the form of outright EC export subsidies or production subsidies to compensate for the higher input costs.

The West German food processing industry also has been extremely successful in competing on the world market where it has not been subjected to artificially high input prices. These export items include tropical products, coffee and cocoa products, which are imported for further processing and eventual re-export. ■

The author is the U.S. agricultural counselor in Bonn, West Germany.

In 1984, Oilseeds and Products Accounted for Nearly Half of the $1.7 Billion in U.S. Farm Exports to West Germany.



Hamburg Trade Office Uses Innovative Marketing To Boost U.S. Food Sales

steaks aus Amerika
U.S. MEAT
U.S.
zart und saftig
HEUTE
KLEIN. SAUERBRATEN,
ROTKOHLSAUCE
APFELMUS +
BUTTERSPÄTZLE 14,98

By Hilton P. Settle

To help meet fierce competition and bolster export sales of U.S. food and agricultural commodities to West Germany, the U.S. agricultural trade office in Hamburg is involved in a wide range of marketing activities.

The Hamburg trade office, opened in the fall of 1979, was one of the first such offices opened under the Agricultural Trade Act of 1978. The selection of Hamburg was a natural choice, given the city's importance in world trade. Hamburg is one of the world's busiest ports and the base for a large concentration of the West German import and retail trade.

Because of the magnitude of Germany's food and agricultural imports, the sophistication of its importers and the complexity of its distribution and retail system, the West German market is an extremely competitive and tough one.

Many countries commit a large amount of resources and money to promoting sales of their products here. For instance, the French promotional agency, SOPEXA, has a staff of 13 and a budget of approximately $6 million to further sales of its food and agricultural products in West Germany.

Trade Office Works With Cooperators

The trade office works closely on market development projects with 38 U.S. cooperator groups involved in promotional activities in the West German market.

Four of these, the American Plywood Association, the National Forest Products Association, the U.S. Meat Export Federation, and the USA Poultry and Egg Export Council, are located in the Hamburg trade office. The American Soybean Association is located nearby.

Throughout the year, the trade office joins forces with these and other cooperator groups to promote U.S. food and agricultural products through "American Week" promotions and joint advertising activities.

The trade office also helps U.S. business groups seeking information and guidance on potential importers and other pertinent market information through written correspondence, personal visits or telephone contacts.

Help also is given to the West German trade seeking products from U.S. exporters. On average, the trade office handles anywhere from 200 to 300 trade inquiries and 40 personal visits by traders each month. In addition, a total of 33 trade teams visited the trade office in calendar 1984.

Activities Expanded Through AIMS

The trade office has stepped up its activities to increase West German trade awareness and use of the various services offered by the Agricultural Information and Market Services (AIMS). Direct mail campaigns and advertisements in leading trade journals have increased the number of trade leads from West German importers.

In fact, the Hamburg trade office is one of the top overseas posts in the number of trade leads generated, which totaled more than 200 in 1985. These are conveyed to USDA's Washington office via a computer/telecommunications link. The trade office also will be used as a pilot post to disseminate AIMS' new "Buyer Alert" system for U.S. exporters via a computer/telex link to ensure easy and quick delivery to potential importers.

'Market Guides' Point Way to Sales

The Hamburg office has developed and helped pioneer "market guides" to alert U.S. exporting companies of potential sales opportunities for a variety of products.

These short, concise guides contain pertinent information for a specific commodity, or group of commodities, on the general market and import situation, applicable duties and a list of potential importers.

Market guides prepared thus far cover pecans, pistachios, chanterelle mushrooms, wine, frozen blueberries, aquaculture products and prepared soups. Additional market guides are planned for the future as sales opportunities arise and resources permit. Export companies interested in obtaining market guides should contact the trade office directly.

Trade Fairs Draw Crowds

West Germany is renowned for its trade fairs, both consumer and trade-oriented. About 300 such events occur each year. Many are recognized as the largest fairs of their kind in the world. The trade office works with U.S. industry groups and individual companies interested in participating in these fairs.

The trade office is directly responsible for organizing the U.S. food exhibit at ANUGA, the world's largest food trade fair, which is held every two years in Cologne.

The U.S. food exhibit at the 1985 show was comprised of about 136 private companies, cooperator and regional agricultural trade groups and state departments of agriculture displaying approximately 2,000 quality U.S. food and related products.

Over the past few years, the Hamburg trade office also has organized U.S. food exhibits at major West German consumer fairs, resulting in greater consumer awareness and increased sales of many high-quality U.S. food and beverage items.

Promotions Aim at Consumers

Promotions directed at consumers are an example of additional measures the trade office has initiated recently to boost awareness and sales of U.S. food and beverage products on the West German market.

A survey of journalists, consumers and restaurant owners has demonstrated that many Germans are unaware of the great variety of high-quality foods available from the United States. In some cases, there even exists a negative perception that Americans only produce and consume fast foods. To counteract this, the trade office has become more involved in such activities as retail promotional events and consumer press advertising directed at the ultimate decisionmaker—the consumer.

An example of the trade office's new consumer promotion emphasis is an information and recipe press kit developed for U.S. Mexican-style foods on the West German market. This generic information kit describes the various foods available and how to prepare them at home.

The kit was distributed to almost 700 influential consumer and trade press contacts to promote sales of these relatively new products from the U.S. Southwest.

Some examples of commodities featured in recent retail promotions illustrate the types of activities planned for the near future:

Pecans. Although pecan pie is familiar to U.S. consumers, pecans are relatively unknown in West Germany. In order to increase consumer awareness and sales of U.S. pecans in Germany, the trade office worked with a large importer/distributor in holding retail promotions.

More than a million product leaflets containing photos and information on pecans along with retail packs of in-shell pecans were distributed to over 100 retail organizations having between 3,000 and 4,000 outlets throughout West Germany.

Both the leaflets and retail packs prominently featured the pecans as being from the United States. As a result, the West German company was able to increase its sales of pecans fivefold. This dramatic increase was achieved despite the high dollar/mark exchange rate, which made 1984 pecan prices much higher than was the case a year earlier.

Wines. The trade office has worked with a West German importer/distributor of California wines to hold promotional activities at both the retail and restaurant levels.

Activities such as advertising and attractive point-of-sale materials led to marked sales increases at 1,200 retail outlets and in selected restaurants, many of which added these wines to their permanent list of selections.

In addition, the West German company advertised in a mail-order catalog, which led to new customers and sales of California wines despite the unfavorable dollar/mark exchange rate.

Fresh fruits and vegetables. Currently, the trade office is working with the largest European importer/distributor of fresh fruits and vegetables in staging promotions for U.S. produce in about 800 retail outlets. These are taking place during the 1985/86 winter season when tariffs on U.S. fresh fruits and vegetables are reduced from normally high levels.

Trade advertising, direct mail campaigns to retail buyers and in-store promotions cover about 20 U.S. fruits and vegetables ranging from papayas, cherries and plums to carrots, celery and bell peppers.

Popcorn. West Germany is a good market for U.S popcorn, but mainly for the institutional sector. The trade office, in conjunction with a West German importer/distributor, is holding retail promotions for U.S. popcorn during the first quarter of 1986. A consumer brochure is part of a special retail display to increase consumer awareness of popcorn and to describe how to prepare it at home.

More Promotions on Drawing Board

This year, the trade office is planning a number of large retail promotions for a wide variety of U.S. food and drink products. The first such promotion in many years is scheduled during January 20-February 1 with a retail food organization that has 93 outlets in Berlin. This event will run concurrently with the large Green Week consumer fair and the U.S. exhibit there.

Many competitor countries organize such promotions on a regular basis with great success. For instance, a promotion for Hungarian food products was held in 83 West German retail outlets. The reported cost of $83,000 gives an idea of the seriousness and resources employed by competitor countries to bolster sales of their products in West Germany. The promotion ran for two and a half weeks and sales of approximately $1 million were reported.

Logos Increase Consumer Awareness

For retail and restaurant promotions, the trade office uses the "USA Quality Foods" logo as much as possible to identify products as being of U.S. origin.

Another logo, "Eat and Drink American—50 Culinary Stars of a Great Country," was unveiled at the recent ANUGA show. This logo will be used to help spearhead activities such as "American Weeks" at restaurants, and in consumer and trade press advertising. ■

The author is the U.S. agricultural trade officer in Hamburg, West Germany.

How To Get Started In Exporting to Germany

U.S. companies interested in exporting to West Germany are encouraged to contact the U.S. agricultural trade office in Hamburg for assistance.

Good opportunities exist for companies that make a serious, long-term commitment to exporting. Companies are urged to obtain copies of the "Guide to Selected Food Law Requirements—Federal Republic of Germany" from the FAS Export Programs Division by calling (202) 447-4327.

This guide contains translations of pertinent regulations regarding West German food law requirements, which differ from U.S. standards on additives, coloring agents, package sizes and labeling. Additional assistance can also be obtained from the FAS Label Clearance Program at (202) 447-3031.

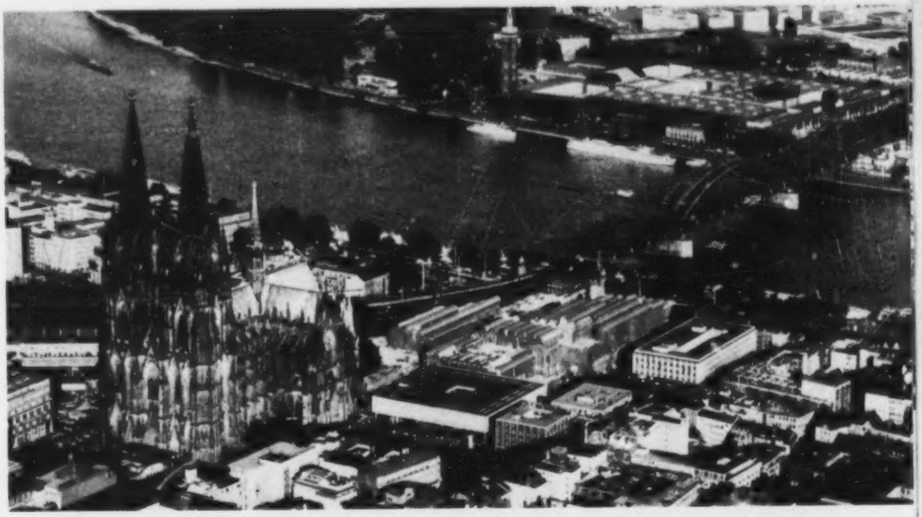
After preliminary contact has been made with the trade office and the needed information is obtained to ensure that a product can be exported to this market, U.S. export companies should contact prospective importers from lists provided by the trade office.

The next step may also call for a private business trip, usually lasting from three to five working days, to meet with selected buyers as part of the overall export and marketing strategy. The trade office can also help company representatives during these visits if enough notice is given prior to arrival.

For more information and assistance on doing business in West Germany, contact the U.S. Agricultural Trade Office, c/o American Consulate General, APO New York 09215-0002; telephone: (040) 34 12 07; telex 2163970 ATO D. The international mailing address is Grosse Theaterstrasse 42, D-2000 Hamburg 36, West Germany.

ANUGA Gives U.S. Firms Exposure in German Market

By Lynn K. Goldsbrough



The history of trade shows goes back to the Middle Ages when tradespeople met in Leipzig, Rome and Paris every year to buy and sell their wares. Today, the tradition of trade fairs is still a strong one, particularly in Europe, where every year hundreds of trade exhibits take place for items such as furniture, pharmaceuticals, stamps, toys and food.

For a food exporter, one trade show that should be a must is ANUGA, the world's largest food exhibit that takes place in Cologne, West Germany, every two years.

The value of a trade exhibit such as ANUGA to a U.S. company, whether established or new-to-market, can be seen in the sales results and projections of the 136 companies that participated in ANUGA 1985.

According to Hilton Settle, U.S. agricultural trade officer in Hamburg and manager of the U.S. exhibit at ANUGA 1985, the show produced almost $256 million in sales for U.S. agricultural products ($83 million during the show and $173 million in projected sales over the succeeding 12 months).

ANUGA Key To Value-Added Sales

"We continue to look at ANUGA as one of the prime vehicles for promoting U.S. food products, particularly value-added items," said Richard L. Barnes, U.S. agricultural counselor in Bonn.

The 2,000 U.S. products displayed at ANUGA ranged from homemade chocolate chunk cookies, chocolate covered pecans, toasted corn snacks, raisins, wild rice and kiwi-flavored popcorn to prime steaks, raspberries, orange juice and turkey breast.

Over 198,000 visitors passed through the six-day exhibit in October, where 76 countries had national pavilions.

ANUGA Gives Worldwide Exposure

WESTERN U
AGRICULTURAL TRADE AS

One of the key advantages of ANUGA is that it gives a company exposure not just to importers from Germany, which is one of the largest importers in the world, but to buyers from other countries around the globe.

Uwe Schmoock, area director for the USA Poultry and Egg Export Council in Hamburg, who was representing the U.S. poultry industry at ANUGA, reported that within a short time, he had met with 30 important trade contacts at ANUGA, including sheiks from Kuwait.

A Good Way To Introduce Products

For Robert Toberman, marketing director for the New Mexico Department of Agriculture, ANUGA was a good place to introduce the products he was representing, such as natural sodas, pecans in various sizes (whole, pieces and ground) and flavors (praline and chocolate coated), and herbal teas developed by Sioux and Apache Indians.

Although pecans are common to U.S. consumers, they are virtually unknown in Europe. Toberman and representatives of the U.S. Pecan

STEAK
Satisfies
U.S.ME

Marketing Council found ANUGA the perfect way to introduce them to the trade and to consumers.

That was also the reason James Weisser of the Food Development and Trading Company of Connecticut was at ANUGA. With European emphasis on the new and different in culinary items, he was hoping his spiced cranberry and chive blossom vinegar would appeal to European buyers.

Since the early 1880s, when Pennsylvania Dutch settlers in Lebanon County, Pa., developed recipes for the savory beef sausage known as Lebanon bologna, it has been popular with U.S. consumers. But Hugh Miller of the Daniel Weaver Company in Lebanon was making the company's first effort in the overseas market at ANUGA.

He found consumer reaction to the firm's Lebanon bologna, as well as to its sweet bologna and wood-smoked dried beef, to be more than he expected. "The response to our products has been excellent and we're very pleased," said Miller. "We've had a lot of interest from a variety of countries," he said, "but particularly the Middle East because our product is made of beef and not pork.

"In addition, we have made lots of contacts and obtained a lot of marketing information from the comments of people who have tried the products. ANUGA is particularly good for specialty products like ours," said Miller.

High Level of Media Coverage

As Miller found out, ANUGA is a good place to introduce an item for the first time in the European market, as the high level of media coverage and buyer attendance make the chance of "getting noticed" quite high.

Tom Kneeland of Charlevoix, Mich., was introducing his Tom's Mom's Cookies—homemade chocolate chunk cookies—to the European market. Although stores baking large cookies, similar to his, are a common feature at most U.S. shopping malls, the idea of large chocolate chip cookies was new to the European market.

Asked why he had come to ANUGA, Kneeland replied "I'm a dreamer. I knew they didn't have our product over here. I heard about exporting opportunities through the Michigan Department of Agriculture. I came with hopes and the reaction has been greater than I expected. I've talked with buyers from France, the United Kingdom, Germany, Italy and Greece."

Kneeland overcame several obstacles in his first attempt at exporting, the main one being baking the cookies. The ovens he was using were uneven; the mixer was completely different than the ones he uses in his stores in Michigan; and he was using different types of sugar and chocolate than he usually did. Despite that, Kneeland's cookies were extremely popular with all those who sampled them.

A Good Place To Gather Information

Kneeland was enthusiastic about the ANUGA exhibit and his first attempt in the overseas market. He discovered that trade shows can be a great place to gather marketing information.

For example, through buyer reaction, he found out that, among other things, the cookies were too big for European consumer tastes. Kneeland was more than willing to make the modifications necessary for the European market. "It's going to be a challenge," said Kneeland, "but I feel we're on the beginning of a new craze."

While a trade show like ANUGA is good for products that are new to the European market, such as Miller's and Kneeland's, it is also beneficial for a basic item like an apple.

Robert Turner with the Washington Apple Commission was at ANUGA promoting Delicious apples. "Our presence at ANUGA is for the international exposure," said Turner.

One of the problems the Commission faces in its promotion of Delicious apples is product identification. "At the retail level," said Turner, "there is little problem with identification, as boxes are labeled. But at the consumer level, our apples are hard to identify if point-of-sale material is not used."

Turner was at ANUGA promoting the apples to both consumers and the trade. "I've issued invitations to the various buyers I've met here from Saudia Arabia, Dubai, Belgium, Sweden and Yugoslavia, for example, to visit us back in Washington and to do business," said Turner.

He said the weaker dollar against major currencies would really help Washington apple sales in Europe. "We've had more interest in the past few weeks than we had all last year," said Turner. And so ANUGA gave him an opportune vehicle to give the apples exposure.

Wilhelm Kosnopfl, president of Popcorn Specialties International, Inc., has been selling popcorn in the German market for five years. "ANUGA is absolutely fantastic for me," said Kosnopfl. "I meet all my customers here at once. I used to do a lot of traveling, but now I mostly work through shows like this."

Exhibiting Shows Commitment

Several exporters felt that participation in big trade exhibits, such as ANUGA, is a way of demonstrating to the trade that a company is serious about exporting.

For example, John Kauke, export manager for Cornnuts Inc. of Oakland, Ca., made contact at ANUGA with a French importer and distributor he had met a year earlier at SIAL, the French equivalent of the ANUGA exhibit. "This fellow didn't buy then," said Kauke, "but he came to ANUGA this week specifically to see me and my product. ANUGA demonstrates our commitment to seeking overseas markets."

"We can translate the contacts made here into actual sales," said Kauke. "For companies operating with a limited budget, an exhibit like ANUGA allows us to be more aggressive. We can make high-quality, face-to-face contacts in just a short time."

The traffic of buyers and consumers was so high at this year's ANUGA that Kauke had barely time to grab lunch during the six days he spent handing out samples of toasted corn snacks in a variety of flavors. He talked with buyers from France, Italy, Scandinavia, Greece, the Gulf States, Japan, Indonesia and India.

Followup Is Also Important

When he returns home, Kauke said his work would just be beginning. "The followup is at least as important as the initial contacts," said Kauke. "Customers must be convinced that we're serious." Kauke said that his followup routine would include letters, trial shipments and visits where appropriate.

While many of the companies at ANUGA are relatively small ones who could not otherwise afford to take part in an international exhibit, many large firms also use trade shows such as ANUGA either to maintain a presence or to introduce a new item or product line.

One such exhibitor was Jim King with A.E. Staley, Decatur, Ill. Although Staley is a large company, King was at ANUGA representing the company's protein division, which is small but growing. In particular, King was promoting Staley's soy protein concentrates for use in soups, meatless meals and sauces. Other products from the protein division included confectionery products (whipping agents), instant tofu and corn bran.

One item that was getting a lot of interest was the new textured soy protein concentrate, chunk-type products with meat-like texture when hydrated. King said he was pleased with the amount of interest his presence at ANUGA was creating.

"My colleagues (his distributors) are very impressed with the amount of interest being generated here for our products," said King. Even the competition was coming over to talk to him.

Although ANUGA 1985 ended just a few months ago, it is not too soon to start planning for ANUGA 1987 (October 10-15). In fact, Hilton Settle advises U.S. exporters interested in participating to start contacting the Export Programs Division of the Foreign Agricultural Service (202-447-4327) beginning in the fall of 1986.

This division can also be contacted for information about participation in SIAL, the international food exhibit held every two years in Paris, which will be held October 20-24, 1986. ■

The author is with the Information Division, FAS. Tel. (202) 382-9442.

WASHINGTON
WASHINGTON
PEARS

Cooperators in Germany Are Making U.S. Products Famous

Steaks aus Amerika
U.S.MEAT
zart und saftig

By Lynn K. Goldsbrough

There are now 38 market development cooperators working in the German market to promote the sale of U.S. commodities that range from such edibles as beef, raisins and pecans to bulk items such as feed grains and soybeans.

These cooperators are associations of agricultural producers or regional trade groups that work with the Foreign Agricultural Service (FAS) in carrying out generic promotional activities. FAS shares the funding for the approved activities conducted by the cooperators.

These projects range from in-store and restaurant promotions for U.S. beef to developing pamphlets for farmers on the advantages of using U.S. soybean meal in cattle rations.

The focus of the cooperator projects is as varied as the activities carried out. For soybean meal, for example, activities are targeted at the German agricultural extension service, livestock producers and breeder associations. Other cooperators focus on importers and the trade. Still others work to make German consumers familiar with high-value products such as nuts and soy protein products.

Several cooperator organizations have headquarters in Hamburg. All except the one for soybeans are located in the U.S. agricultural trade office there.

According to Hilton Settle, U.S. agricultural trade officer in Hamburg, cooperators located in the same office as the agricultural trade office have many advantages. These include lowered costs for office overhead, as cooperators share facilities and even the copying machine.

In addition, cooperators can use the trade office conference room for seminars, product demonstrations and receptions. It is also beneficial for trade contacts who want to meet with several cooperators. In short, it is a one-stop shopping center for U.S. agricultural products. Cooperators in the Hamburg trade office also share news on trade developments and the growing maze of government regulations.

U.S. Meat Export Federation

Since the U.S. Meat Export Federation (MEF) opened its doors in the Hamburg agricultural trade office in 1980, promotion has been nonstop for U.S. meats, including beef, pork and variety meats.

According to Willem Zerk, director of European operations for the MEF, projects in the German market include:

- Point-of-sale activities and materials in retail stores and restaurants;
- Advertising and public relations activities aimed at consumers and the trade;
- Seminars for the trade describing the varieties of U.S. meats available and their advantages;
- Trade and consumer fair participation;
- Trade servicing, or as Zerk says, "getting the right people together (producers, exporters and potential buyers)."
- Helping importers of U.S. meat sell their products through finding the right outlets; and
- Organizing product demonstrations at the restaurant and retail level that show how to cut, cook and present U.S. meats.

Zerk said that the biggest obstacles he has in promoting U.S. meats in the German market are price and the lack of consumer awareness.

U.S. meat is more expensive than other meats. "But there's no way to buy a Mercedes at a VW price," said Zerk. U.S. meats are a high-quality product and the MEF's efforts are targeted at explaining the difference to consumers and the trade, many of whom are unfamiliar with the U.S. product.

The MEF's efforts are clearly paying off. Not just in Germany, but throughout Europe, the MEF office is known as source of information on the market, the technical aspects of U.S. meats and its lists of producers.

"Most people in Europe with a question on U.S. meat can call this office," said Zerk, who hears daily from retailers, importers, chefs and schools.

"Contacts and information are the most important aspects of this job," said Zerk. "We maintain excellent contacts; it's unbelievable how many people know us."

Through this increased visibility and awareness Zerk said he has been able to motivate more people to buy U.S. meat. The MEF also has been able to expand the products it promotes.

For example, the MEF started promoting pork in the German market two years ago. Trial samples of pork tenderloins were sent out to the premium market. As a result, the MEF has been getting "a nice share of the pork tenderloin market," according to Zerk.

USA Poultry and Egg Export Council

Promotions for U.S. poultry and egg products began in Germany in the 1950s, according to Uwe Schmoock, area director for the USA Poultry and Egg Export Council. At that time, the cooperator was called the Poultry and Egg Institute of America.

The market has changed a lot since those days, becoming more restrictive and increasing competitive. The Council's activities remain targeted at consumers and the trade, primarily through advertising, joint activities with the German retail trade, promotions in supermarkets and retail stores and a recipe service conducted by a public relations agency.

The Poultry and Egg Council conducts seminars with chefs, large canteens, restaurants and other sectors of the institutional trade. The Council participates in regional trade fairs for caterers, hotels and restaurants, as well as conducts its own trade advertising promoting U.S. poultry.

Schmoock said that over the years, obstacles to importing U.S. poultry and poultry products have increased in the German market as a result of the European Community's (EC) non-tariff trade barriers, which have led to uncertainty among U.S. exporters and German importers and a dropoff in business.

Schmoock said the number of U.S. slaughtering plants approved for export is shrinking due to increased EC requirements. These complications hinder U.S. plants from applying for certification.

The Council also works in getting the U.S. industry to adapt to what is necessary for exporting. This is difficult, says Schmoock, because the EC keeps changing the rules and putting more obstacles in the way of the U.S. trade.

Despite all these difficulties, Schmoock said the tradition of cooperation between the Council's office and German importers helps the Council stay in the German market.

"Many importers started with the U.S. product many years ago," said Schmoock, "and still keep a corner for the U.S. trade. The solid trade relationships made over the years are the highlight of the accomplishments of this office."

Despite the problems of working in the German market, Schmoock does see some bright spots, particularly for further processed poultry products such as seasoned and spiced turkey products (nuggets, breasts and slabs).

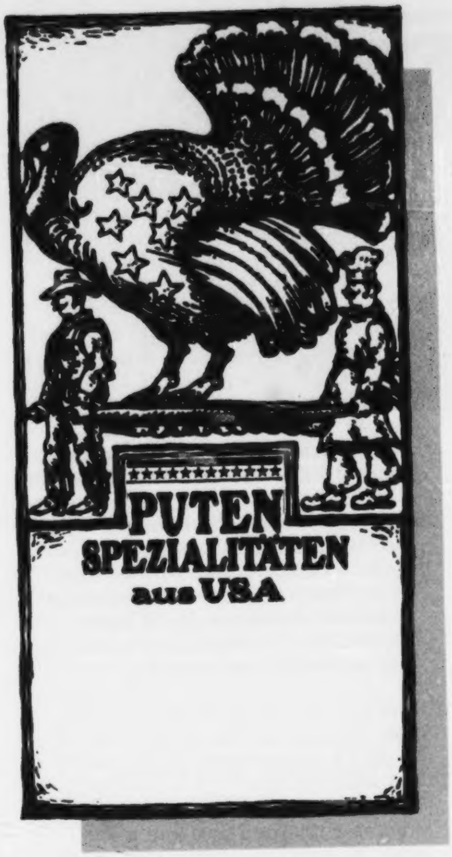
"There also is a big demand for turkey ham, pastrami and salami here in Germany," said Schmoock, "but U.S. manufacturers must be willing to change ingredients to meet the strict German food laws and adapt to customer requirements. With its turkey parts and products, the United States can still dominate the market, but we also have to find new ways and new products to make us competitive."

American Plywood Association

Although the American Plywood Association (APA) has been working in Europe since the early 1960s, the cooperator has been located in the Hamburg trade office only since 1983. Since those early years, shipments of U.S. plywood have increased from only 10 cubic meters to 85,000.

The APA's focus in the European market is threefold: plywood for the wood construction market, concrete forming and transport packaging (crates), according to Herbert Oelmann, who represents the APA in Hamburg.

The transport packaging sector accounts for 90 percent of the volume of plywood exported to Germany, primarily for use in custom-made containers for the German export market (for automobile parts and industrial equipment).



Most of Oelmann's efforts are concentrated on giving seminars to the trade. For the timber frame market, for example, this involves seminars at carpentry and trade schools. For the transport packaging sector, Oelmann might give in-house seminars for the importing trade.

Other activities of the APA include participation at construction and packaging fairs to meet the trade and dealers, brochures and advertising in trade magazines and personal calls, or trade servicing, on a regular basis.

Oelmann says his biggest obstacle in promoting U.S. plywood for the construction industry is the code (most codes are different from those in the United States, e.g. different panel sizes).

Thirty-Eight Cooperators Are Working in the German Market

- American Plywood Assn.
- American Quarterhorse Assn.
- American Soybean Assn.
- Brown Swiss Cattle Breeders Assn.
- California Pistachio Commission
- California Raisin Advisory Board
- California Table Grape Commission
- Cotton Council International
- Burley and Dark Leaf Tobacco Export Assn.
- Eastern U.S. Agricultural Export Council
- Emba Mink Breeders Assn.
- Florida Dept. of Citrus
- Holstein-Friesian Assn. of America
- Livestock Exporters Assn.
- Mid-America International Agri-Trade Council
- Michigan Bean Industry
- Mohair Council of America
- Natl. Assn. of Animal Breeders
- Natl. Assn. of State Departments of Agriculture
- Natl. Cottonseed Products Assn.
- Natl. Forest Products Assn.
- Natl. Peanut Council
- Natl. Pecan Marketing Council
- Natl. Renderers Assn.
- Natl. Sunflower Assn.
- Oregon-Washington-California Pear Bureau
- Rice Council for Market Development
- Southern U.S. Trade Assn.
- Tanners Council of America
- Tobacco Associates
- U.S. Feed Grains Council
- U.S. Meat Export Federation
- U.S. Wheat Associates
- USA Dry Pea and Lentil Council
- USA Poultry and Egg Export Council
- Washington State Apple Commission
- Western U.S. Agricultural Trade Assn.
- Western Growers Assn.

Another obstacle is the European Community's duty-free quota on plywood imports. After the quota is reached, a 10.4-percent tariff is applied. The total quota is divided among EC-member states, and Oelmann hopes that new trade negotiations will lead to a larger quota. The current EC quota is 600,000 cubic meters, of which Germany has 94,000.

The APA's third obstacle is a lack of awareness with the U.S. product. Much of Oelmann's efforts are directed at breaking down this barrier. "I have succeeded to a certain point in having the German import trade trust me," said Oelmann.

"Also, I have been able to convey that the U.S. product is a quality-controlled product. The APA is becoming better known and through this, more dealers are willing to accept the APA as a good, useful source of technical help."

The APA is also working on finding new applications for plywood in order to gain a better share of the market. For example, the APA is introducing new packaging systems. One such item is a plywood box with a vinyl liner for handling tomato paste and similar food products, as well as chemicals.

American Soybean Association

The American Soybean Association's (ASA) Hamburg office recently celebrated its 25th anniversary. Since 1960, ASA has been promoting U.S. soybeans and soybean products in Germany, Denmark, Sweden, Norway, Finland, Austria and Switzerland.

By far the largest of these markets is Germany. Virtually all of the ASA's activities for soybean meal promotion in Germany are targeted at the farmer level—farmer associations, key livestock producers, breeder associations and, most importantly, the German extension service. ASA projects involve a variety of brochures as well as educational movies.

According to Dr. Karl W. Fangauf, director of ASA's North European office, ASA's focus in Germany is on feed dealers and the extension service, who work directly with the farmers. German farmers have a strong loyalty to soybean meal use in feed rations, a loyalty that transfers into demand generated by users to the supplier, instead of the other way around, which is typical in most other importing countries.

Despite competition from domestically produced rapeseed meal and legumes, Fangauf is confident of the position of U.S. soybean meal in the German market. "Even in critical years, soybean meal consumption did not drop off dramatically," said Fangauf. "It is a more secure market."

Part of that security, however, stems from constant attention to market development. "The real need for us (ASA) in the German market," said Fangauf, "is to maintain our market share. If we do not, it will drop drastically."

In addition to efforts for soybean meal promotion, ASA also works at the consumer level promoting soybean oil and soy protein foods. Fangauf feels that this latter area is one of increasing promise for larger U.S. soybean product exports. ASA is working with local companies to develop new soybean items and promote them to consumers. A soy oil margarine made from 100 percent soybean oil is one such product.

Looking to the future, Fangauf sees additional efforts needed in such areas as resolving food law problems and promoting soy foods to consumers and the institutional market. "But the biggest obstacle," he said, "is we have to make the market and come up with new food uses for our product." ■

The author is with the Information Division, FAS. Tel. (202) 382-9442.

German Retail Food Market Is Concentrated and Competitive

By Hilton P. Settle

The retail food market in West Germany is tough and competitive, not only because of the large variety of domestic and foreign products available, but also as a result of growing concentration and competition among retail chains in a stagnating market.

According to Glendinning & Lehning GmbH, a German firm, 200 organizations accounted for 94 percent of 1983 retail sales, which totaled 149.5 billion Deutsche Marks (DM), or approximately $60 billion. This was up from an estimated 90 percent in 1982. Twenty firms were responsible for 54 percent of 1984 retail sales, up 1 percent from the previous year.

Growing Competition Between Discount and Traditional

In addition to concentration of ownership, there is growing competition between discount and more traditional retail chains.

The discount outlets offer a "no frills" selection of a relatively small range of extremely competitively priced products. Their low prices can greatly influence the pricing policies and sales of competitors.

Discount retail food stores accounted for almost 19 percent of total German retail sales in 1984. Aldi, the largest discount chain and one of the biggest food retailing groups, accounted for more than half of these sales. Aldi has been the only discounter able to increase sales in each of its outlets while expanding at the same time.

According to a recent study by the research firm G&I-Forschungsgemeinschaft fuer Marketing in Nuernberg, 92 percent of all German households bought products from discount stores.

Discounters will probably continue to expand their outlets and product ranges. In some cases, their approach is being adopted by the three major department store chains, which also have fairly extensive food sections, demonstrating the differences between the U.S. and German retail markets.

However, other organizations have moved more toward the top-quality end of the spectrum, offering more atmosphere, more service and more expensive products.

In Hamburg, a well-known retail chain is operating two outlets, one right above the other in the same shopping mall. One store is set up like a U.S. supermarket with lower prices. The other is more traditional with more personnel and service counters for bread and bakery products, cheeses and meat. The chain is conducting tests to determine what customers prefer and which operation is more profitable.

As a result of growing competition and concentration, smaller outlets have been forced out of business, while the number of stores with retail areas greater than 400 square meters has increased.

According to the research firm A.C. Nielsen GmbH, there were 79,175 small retail outlets with less than 400 square meters at the beginning of 1982. Three years later, there were 13 percent fewer stores. Even though these smaller firms still accounted for 86 percent of all retail outlets at the beginning of 1985, their share of sales declined from 46 to 40 percent. ■

The author is the U.S. agricultural trade officer in Hamburg, West Germany.

Small Retail Stores Decline in Importance

Store Size	1982	1983	1984	1985	1982	1983	1984	1985
(Square meters)	Percent of total stores				Percent of market			
Over 5,000	0.4	0.4	0.5	0.5	10.5	11.0	11.3	11.8
1,500-5,000	1.1	1.2	1.3	1.4	11.5	11.4	12.2	12.8
800-1,500	1.6	1.7	1.8	2.3	9.2	9.3	9.7	11.4
440-800	4.1	4.4	4.6	4.8	15.3	15.5	15.7	14.8
Under 400	89.4	88.3	87.5	86.2	46.2	44.1	42.2	39.7
Discounters[1]	3.4	4.0	4.3	4.8	7.3	8.7	8.9	9.5

[1] Excluding the Aldi Group.

As of January 1 of each year.

Profile of the Top 10 West German Food Retailers

Aldi Group
Largest retailer operating as a discounter with limited food selections. The 900 outlets of Aldi North cover northern Germany and Berlin. Aldi South operates independently with about 800 stores in the southern half of the country. In addition, Aldi owns 24.9 percent of the Kaufhof department store chain, which has food sections.

Addresses: Aldi Einkauf GmbH & Co. OHG
Eckenbergstrasse 16
Postfach 13 01 10
D-4300 Essen-Kray
Phone: (0201) 5621
Telex: 8579905
Head food buyer (North): Mr. Harteit.
Aldi Einkauf GmbH & Co. KG
Burgatrasse 37-39
Postfach 1 01 40
D-4330 Muelheim a. d. Ruhr
Phone: (0208) 44 311
Telex: 856713
Head food buyer (South): Mr. Thiemann.
Retail sales: DM 15.8 billion (1984).

Metro Group
Large wholesaler with 40 wholesale outlets and 23 retail stores over 1,000 square meters each.

Address: Metro-Gruppe
Schlueterstrasse 3
Postfach 23 01 40
D-4000 Duesseldorf 23
Phone: (0211) 68751
Telex: 85 86 656 and 85 86 593
Head food buyer: Mr. Karlheinz Dittmann (wholesale); Mr. Rogg (retail outlets)
Retail sales: DM 10.7 billion (1983).

Tengelmann Group
Operates, under different names, 112 supermarkets over 1,000 square meters; 855 outlets with areas up to 1,000 square meters; and 1,579 discount 0stores. Owns A & P in the United States.

Address: Tengelmann-Gruppe,
Wissollstrasse 5-43
D-4330 Muelheim/Ruhr
Phone: (0208) 5811
Telex: 856711
Retail sales: DM 9.1 billion (July 1983-June 1984).

Rewe-Leibbrand
Largest member of the Rewe organization. Operates, under different names, five wholesale outlets; 397 large supermarkets (over 1,000 square meters); 772 stores ranging from 400 to 1,000 square meters in size; and 837 discount stores. Also cooperates with the Asko Deutsche Kaufhaus AG, of which it owns 25 percent, and has a 12.5-percent share of the Schaper Group. Both are food retailers.

Address: Rewe Handelsgesellschaft Leibbrand oHG
Louisenstrasse 115
D-6380 Bad Homburg
Phone: (06172) 1230
Telex: 410690
Head food buyer: Mr. Gaubatz. (Mr. Pust is head food buyer for the 32 large "TOOM" supermarkets.)
Retail sales: DM 9.8 billion (1984).

COOP AG
Part of the large COOP organization. Operates, under different names, 347 large supermarkets over 1,000 square meters in size; 1,396 smaller stores; and 145 discount stores.

Address: COOP Aktiengesellshaft,
Hahnstrasse 72
Postfach 71 02 29 D-6000
Frankfurt/Main 71
Phone: (069) 66831
Telex: 4189 348
Retail Sales: DM 8.4 billion (1984).

Schaper Group
Operates, under different names, 12 wholesale outlets; 44 large supermarkets over 1,000 square meters; 22 smaller supermarkets; and 70 discount stores.

Address: Adolf Schaper Zentralverwaltung
Davenstedter Strasse 80
Postfach 91 10 65
D-3000 Hannover 91 (Linden)
Phone: (0511) 21450
Telex: 923959
Retail Sales: DM 3.6 billion (October 1983-September 1984).

Massa
Operates 27 large supermarkets, earning approximately 54 percent of their turnover from nonfood items.
Address: Alfred Massa GmbH
Friedrichstrasse 12-15
D-6508 Alzey
Phone: (06731) 391
Telex: 42404
Retail Sales: DM 3.0 billion (1984).

Allkauf
Part of the large Gedelfi organization. Operates two wholesale centers and 39 large supermarkets.

Address: Allkauf Verwaltungsgesellschaft GmbH & Co. OHG
Reyerhuette 51
Postfach 111
D-4050 Moenchengladbach 1
Phone: (02161) 4030
Telex: 852 416
Head food buyer: Mr. Martens.
Retail sales: DM 2.9 billion (1983).

Deutsche SB-Kauf
Member of the Gedelag and S & T organizations. Operates seven wholesale centers and 23 large supermarkets.

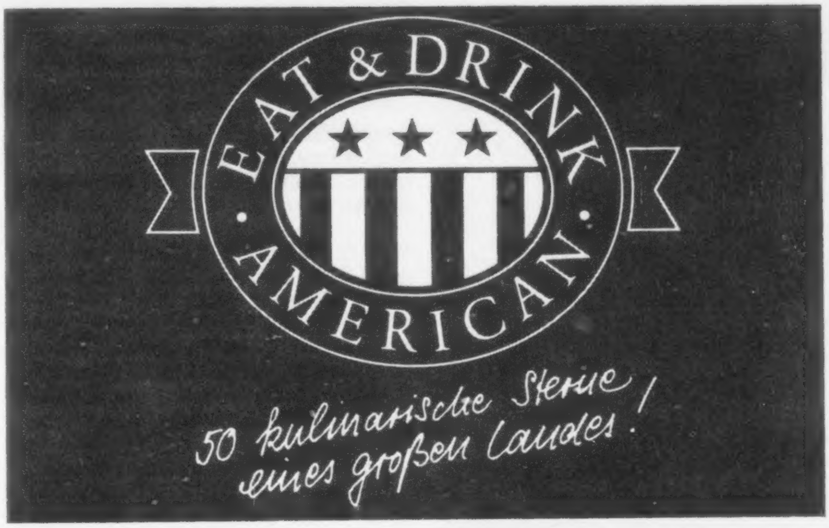
Address: Deutsche SB-Kauf AG,
Friedrich-Ebert-Strasse 14
Postfach 60 05 13
D-4630 Bochum 6 (Wattenscheid)
Phone: (02327) 8050
Telex: 820 491
Head food buyer: Mr. Peter Becker.
Retail sales: DM 2.2 billion (1984).

Deutscher Supermarkt
Operates, under different names, 360 supermarkets 400-1,000 square meters in size.

Address: Deutscher Supermarkt Handels GmbH
Gerresheimer Landstrasse 75
D-4000 Duesseldorf 12
Phone: (0211) 20 010
Telex: 85 86 727
Head food buyer: Mr. Bruno Plahr.
Retail sales: DM 1.9 billion (1984).

Source: G & L Vertriebslinien - Die Absatzkanaele im Lebensmittelhandel 1985/86, Glendinning & Lehning GmbH. Partly estimates, without sales tax.

Changing the Image of U.S. Foods in Germany



By Freya Koehler and Hilton P. Settle

Hamburgers, soft drinks, french fries and ketchup are synonymous in West Germany with fast food. Unfortunately, many Germans think these are the only foods the United States has to offer. Most Germans are unaware of the great variety of high-quality foods the United States produces and consumes.

To some extent, this perception is shaped by the media, which concentrate on relatively restricted segments of U.S. cuisine, such as fast food outlets. As a result, it is more difficult for U.S. food and beverage products to be marketed in West Germany.

A Need To Change the U.S. Image

Clearly there is a need to change the German perception of U.S. foods. To do this, representatives of the Foreign Agricultural Service (FAS) in Germany worked for more than a year on a new campaign to promote the high quality and wide variety of U.S. foods available.

Because of the wide media and trade exposure that foods receive at ANUGA, the biennial food trade exhibit held in Cologne, FAS used ANUGA '85 (October 12-17) as the launching pad for the new campaign.

"Eat and Drink American"

In addition to the current logo, "USA Quality Foods," a second one was developed—"Eat and Drink American/50 Culinary Stars of a Great Country." This new image was seen throughout the U.S. exhibit at ANUGA, emphasizing the culinary aspects and the wide variety of high-quality foods the United States has to offer.

To create greater interest in and awareness of the many high-quality food products the United States has to offer, a major advertising and information campaign preceded ANUGA.

This effort included preparing special advertising and editorial sections in five of the leading West German trade publications, most of which were issued just before the opening of ANUGA and invited buyers to stop by the U.S. pavilion and talk with exhibitors.

Judging by the reaction of U.S. exhibitors, as well as that of the press and foreign trade, the premiere was successful. However, it was just the first step of a long-term strategy to increase sales of U.S. food and beverage products in the German market.

Efforts in the future will be intensified to reach consumers through advertising, retail and restaurant promotions and press articles.

The idea of creating greater awareness of the variety and quality of U.S. foods stemmed from earlier successful efforts in Germany to promote U.S. raisins. Through consumer advertising and press materials, such as pamphlets and recipe brochures, a new image was created for U.S. raisins in Germany.

As a result, shipments of U.S. raisins to Germany doubled in 1984 and were expected to double again in 1985.

Campaign Coincides With New Emphasis

The new promotional campaign for U.S. foods coincides with increased emphasis in Germany on eating healthy, light and gourmet-type foods.

This new emphasis is altering former German eating habits, which were primarily concerned with quantity instead of quality.

The culinary turnaround in Germany was encouraged by numerous articles and stories in the German media. It also parallels what is occurring in the United States, where there is increased interest in gourmet cooking featuring the best ingredients of various regions of the United States.

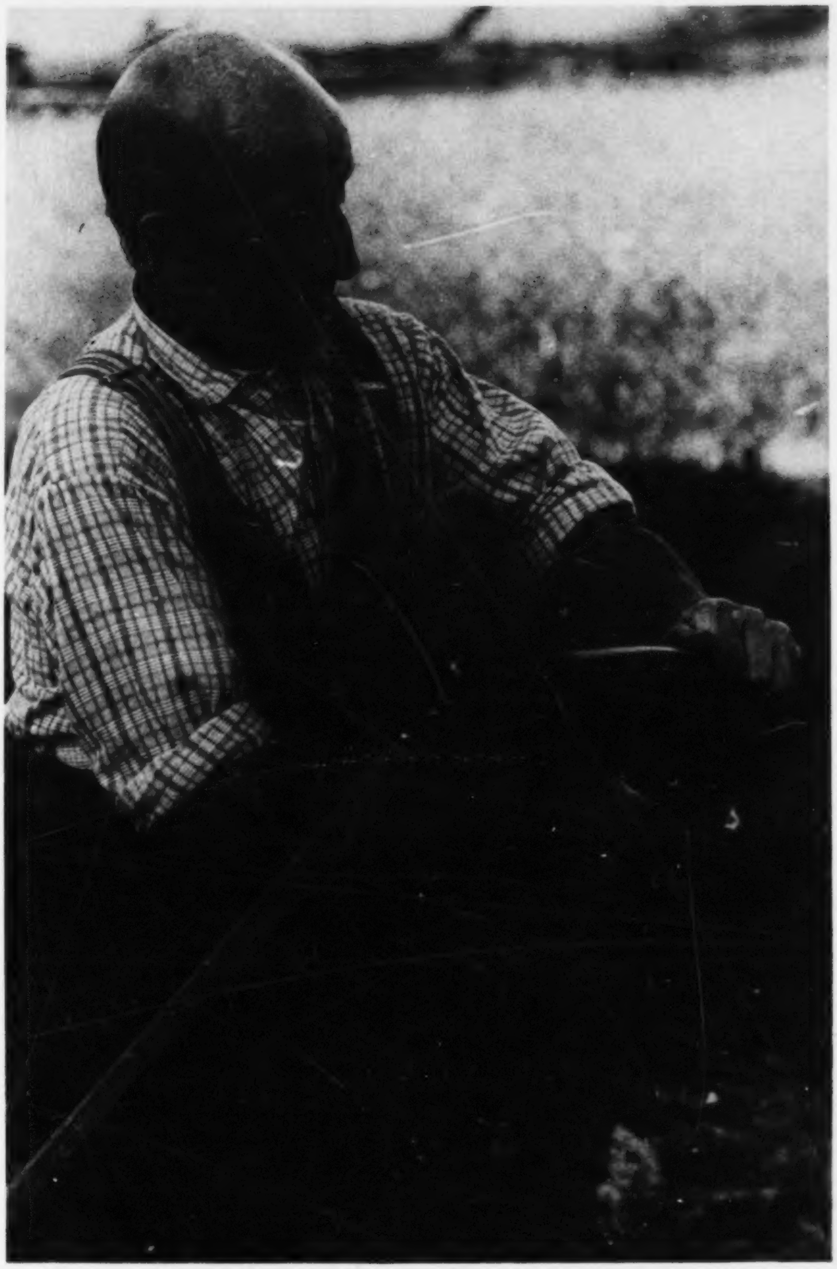
U.S. Must Project a Quality Image

To be successful in the German market, potential U.S. suppliers must convince the German trade and consumers of the quality of U.S. products. Italy, France and Hungary, for example, have supported efforts in this area for many years through targeted marketing and image promotion.

The United States is also coming to realize the importance of such promotional efforts. The German market is too competitive and too lucrative for anything less. ■

Koehler is part-owner of Komplett-Buero, Agentur fuer Kommunikation GmbH, Munich. Settle is the U.S. agricultural trade officer in Hamburg.

German Agriculture: Living on a Few Acres



By Randy Zeitner

West Germany is an important customer for U.S. farm goods, taking over $1.74 billion in 1984. But this densely populated, highly industrialized country also has made great strides in food production and now produces about 80 percent of its total food requirements.

Today, thanks to rapid advances in technology, one German farmer can feed 62 people—up from 10 in 1950 and 32 in 1970.

By U.S. standards, German farms are quite small. The average farm is about 40 acres—often in irregularly shaped plots—handed down through generations under the the custom of "Gavelkind". Under this custom, land is divided equally among the children of deceased landowners.

Land consolidation schemes have increased the average farm size about 21 percent over the past decade, but there are still only about 35,000 farms of more than 125 acres.

Intensive Land Use Boosts Yields

German farmers attempt to offset the disadvantages of small operations by intensive land use, and productivity is high. The average yield for the 1984 crop was about 94 bushels per acre for winter wheat and 105 bushels per acre for winter barley.

About 70 percent of cash receipts from farm marketings are in the form of animal products, with the remaining share in the form of crops.

Milk accounts for the largest share (26 percent), followed by pork at 20 percent, beef at 18 percent, grain at 10 percent, and poultry and eggs at 5 percent.

High Degree of Support for Farm Policy

German agricultural policy is designed to generate stable prices and guarantee a constant supply of food. In general, Germans are satisfied with this policy since it plays an important role in allaying fears of food shortages and inflation—two fears that, although declining, still exist in West Germany.

Farm prices are stable and food prices continue to increase less than other prices. Even with dietary improvements, the percent of income spent on food continues to decline.

Government Involvement Is Widespread

Many of Germany's social and economic goals are encompassed in its agricultural policy. Objectives are set and decisions are made on three levels: (1) the international or European Community (EC) level with its Common Agricultural Policy; (2) the federal level, and (3) the state or "laender" level.

The Common Agricultural Policy's major goals are to increase agricultural productivity, to improve farm incomes, to stabilize markets and to ensure regular supplies to consumers at reasonable prices.

These objectives also have been supplemented with various federal and "laender" goals. Since the Common Agricultural Policy is responsible for market and price policies, foreign trade and, to a certain extent, agricultural structural policy, the main field left to national agricultural policy is rural social welfare.

Broadly defined, rural social welfare includes elements of old age assistance and health insurance, nutrition policy, structural policy, conservation and environmental policy. The individual states implement the policy decisions made at the Community and federal level.

Stringent Food Laws

The aim of the federal government's nutrition policy is to ensure adequate quantity, quality and variety of food supplies for the population at fair prices. To carry out this mission, West Germany has some of the most stringent food laws in the world, and it rigorously enforces them.

Among other things, Germans do not allow the domestic use of growth hormones in animals, and they are pushing to have them banned within the European Community. Besides citing health risks, they also place some of the blame for the EC's beef surplus on the use of hormones in animal production.

The Germans also continue to enforce their famous beer purity law of 1516, the so-called "Reinheitsgebot." According to the purity law, only four ingredients may be used to produce beer: barley, hops, water and yeast.

The production of sausages, or "wurst", also is subject to numerous restrictions. In general, only animal products can be used to produce sausages, and cereal fillers or vegetable protein extenders generally are not allowed in the product.

Environmental Laws and the Farm Sector

Environmental policy and conservation in the agricultural sector fall under the responsibility of the Federal Ministry of Food, Agriculture and Forestry.

The Germans increasingly are aware that intensive agriculture contributes to pollution. This is especially true with respect to nitrate pollution of groundwater supplies, which recently has caused much public concern.

This concern has led some to a call for more restrictions on the use of fertilizers and other chemicals. In their view, this would lead to a cleaner environment, and, at the same time, would help curb surplus production.

West Germany and the European Community

Because of EC budget problems and trade frictions caused by subsidizing surpluses onto the world market, most organizations, including the German Farmers Association, think some changes in the EC's Common Agricultural Policy are necessary.

Minister of Agriculture Ignaz Kiechle, for example, has made it clear that he is not willing to accept any price decreases in which the German farmer is not fully compensated in some manner.

Rejecting the price reduction method of reducing surpluses, the Germans have proposed an array of measures. They suggest increasing production of alternative crops like legumes and feed beans to reduce grain surpluses and to replace a portion of the protein feeds currently imported.

They would like to see production incentives targeted more to growing higher quality wheat rather than higher yielding feed wheats. They also call for the use of more cereals as raw materials in ethanol and starch production.

Because these proposals would place additional strains on an already financially burdened system, it seems likely that West Germany will be at odds with other EC countries as debate on agricultural policy continues. ■

The author is the U.S. agricultural attache in Bonn, West Germany.

Fast Foods in Germany: A Booming Market

By Christel Wagner

New trends in lifestyles and eating habits among West Germans are opening the market for fast food outlets throughout Germany.

Traditionally, Germans have enjoyed their large meal at noon, when children came home from school and the whole family was together. However, today's lifestyle dictates a change in this tradition.

More people are working farther away from home and more women are working. This has reduced the likelihood of having a large midday meal at home. As in the United States, the demand for eating places where one can get a quick full meal is on the rise.

Diverse Fast Food Sector

West Germany's fast food scene is both diverse and booming. Offerings range from snack bars selling various kinds of grilled sausages, hot dogs and french fries to hamburger places, self-service restaurants and relatively expensive fast luncheon spots.

The hamburger dominates German fast food sales, just as it does in the United States. In 1984, the 30 largest West German fast food organizations reported sales of $1.56 billion. McDonald's is the market leader, with 207 outlets and sales of $224 million in 1984. McDonald's outlets in Germany outnumber those in France. Burger King holds a rank of 18 in the German fast food market.

The second largest chain is Wienerwald. This German group, which sells grilled chicken, has 279 outlets and sales in 1984 of $108 million.

Nordsee Deutsche Hochseefischerei is the third largest German fast food chain, specializing in fish and seafood. Its 298 restaurants and snack bars had a turnover in 1984 of $82 million.

Italian Food Also Popular

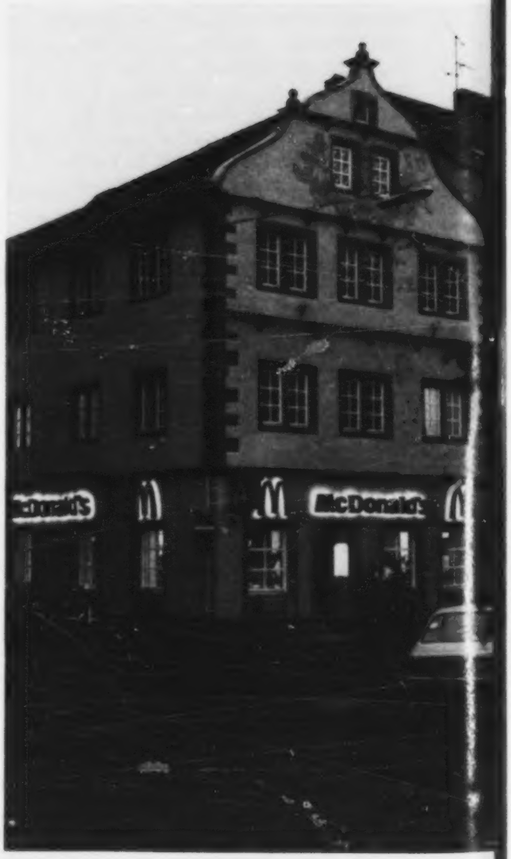
Although Italian food is quite popular among Germans, no such chain has been opened in West Germany. Pizza and pasta are served only by privately owned restaurants, often operated by Italian families.

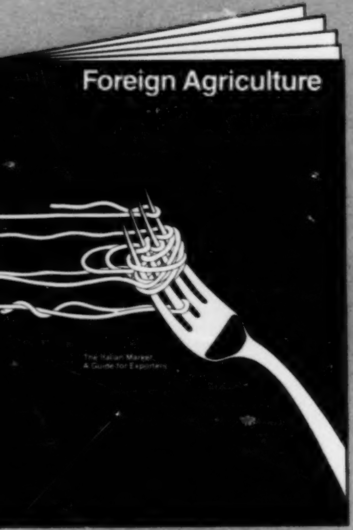
It was only in the fall of 1985 that Pizza Hut, the U.S. chain, was opened in Germany, a joint venture between PepsiCo, USA, and the German Tengelmann food store chain.

Mexican American foods, still relatively unknown in Germany, have potential for the future, once Germans become familiar with what the food is and how to eat it.

The potential for all kinds of fast food in West Germany appears to be very good. Hamburgers, steaks and specialty foods should continue to be quite popular. ■

The author is with the U.S. agricultural trade office in Hamburg, West Germany.





Foreign Agriculture
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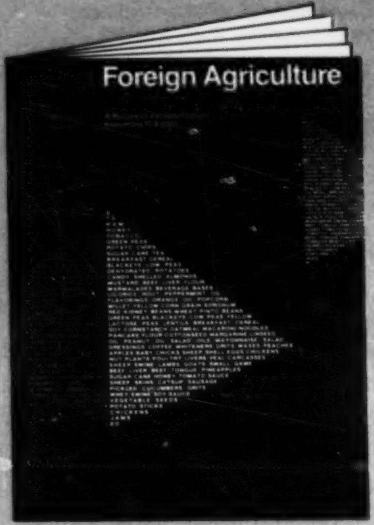

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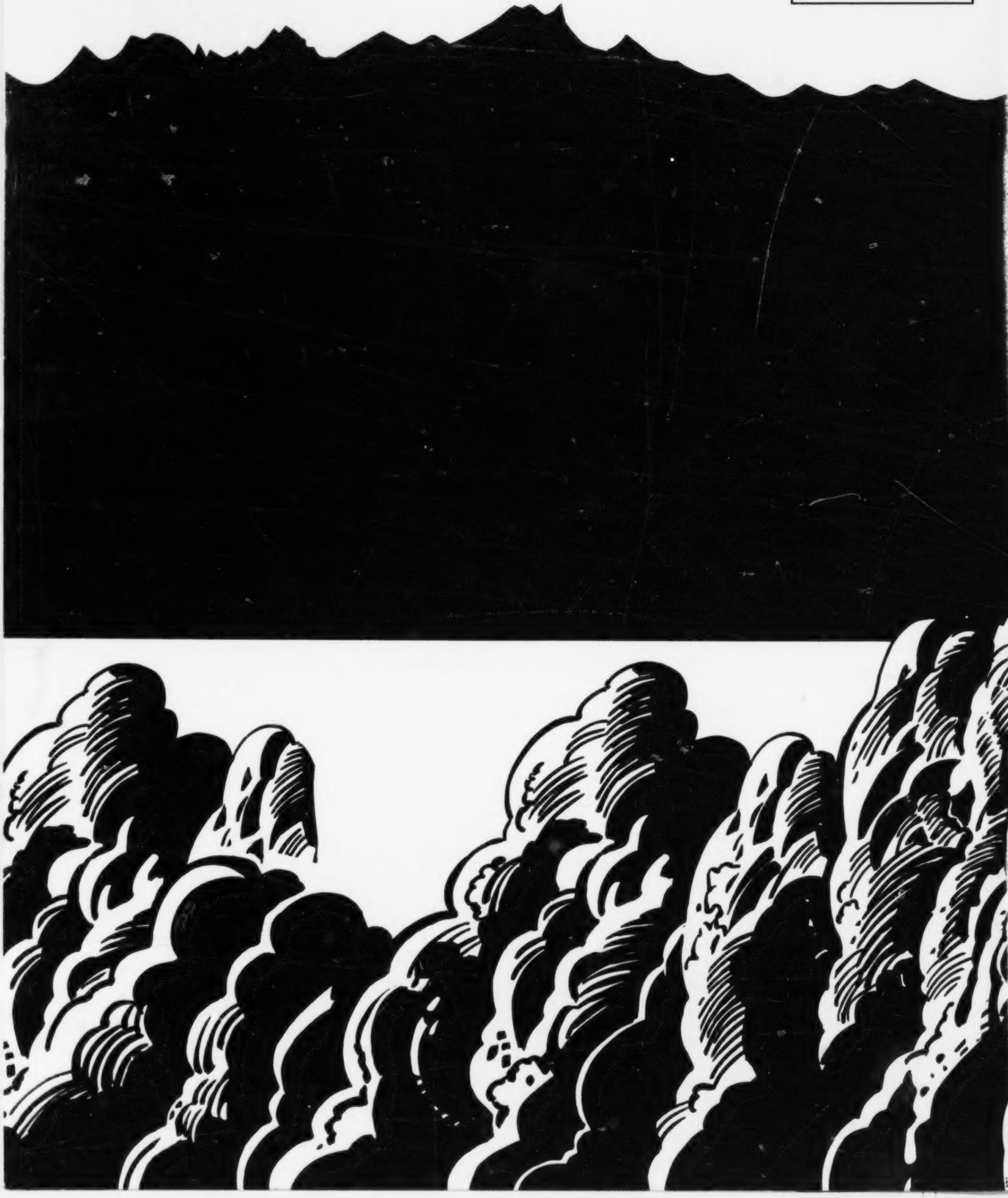

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Foreign Agricultural Service

March 1986

Foreign Agriculture

Free Samples—
Taste Treat or Marketing Trick?

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Marketing News

Brazilian Wheat Team Visits U.S. Facilities and Farmers

A team of Brazilian wheat importers traveled to the United States recently for a two-week tour of U.S. wheat production, transportation and grain handling facilities. The visit was cosponsored by the government of Brazil and **U.S. Wheat Associates (USW)**.

The team's itinerary included visits to export facilities, country elevators, grain exchanges and the U.S. Department of Agriculture, as well as a number of meetings with U.S. wheat farmers. "We want to demonstrate to our Brazilian customers that the United States has the productive, handling and shipping capacity to meet their wheat import needs, both now and in the future," USW President Winston Wilson said. "This trip allowed us to answer questions and to introduce the buyers to the farmers who supply their wheat."

Brazil currently is the world's fifth largest importer of wheat, buying an average of 4.5 million metric tons over the past five years. Traditionally, the United States has supplied for about 80 percent of these imports.

Alaska Hosts Japanese Forest Team

The **Alaska Loggers Association** and the Office of Forest Products of the **State of Alaska** recently hosted a team of 14 representatives from the Japanese forest industry and government. Members of the team included the general managers of major Japanese corporations, such as Mitsubishi, Sumitomo and Marubeni. The Japanese group visited various logging operations, several pulp and sawmills and an experimental forest during their 10-day stay in southeast Alaska.

It is hoped that the Japanese visit will bring results similar or better than an earlier buying mission from Korea. According to Frank Seymour, senior marketing specialist of Alaska's forest products office, the Korean visit has already encouraged a return visit by two prospective buyers.

Feed Grains Council Starts Mexican Beef, Poultry Projects

Recognizing that Mexico is a consistent 6-million-ton market for U.S. feed grains, the **U.S. Feed Grains Council** is initiating several beef and poultry programs there. The Council will begin a model beef feedlot program in two locations providing a demonstration facility and training opportunities for Mexico's cattlemen. The focus will be on improved management, nutrition and genetics in order to expand beef production and feed grain demand. The Council will continue to demonstrate dairy bull calf recovery programs as an inexpensive and rapid way to expand beef cattle numbers.

Working with the poultry industry, the Council will establish a sorghum poultry feeding trial. In addition, it will follow through on a program to help identify and minimize the impact of poultry ascitis syndrome, a disease that accounts for 70 percent of all bird losses in Mexican flocks.

Soybean Quality Team Visits Japan

The Japanese response to the **American Soybean Association's** soybean quality team visit and quality conference in December was very positive, according to the U.S. agricultural counselor in Tokyo. Most conference attendees felt that the event marked a new rapprochement between Japanese soybean end-users and U.S. soybean farmers after a year of difficulties. Total Japanese soybean imports in 1985/86 are estimated at 4.8 million tons, around 90 percent of which is expected to come from the United States.

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With Bulgaria turning to the world market for grains after three bad crop years in a row, prospects look good for U.S. corn sales.

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As the market for pork in Japan is growing, the U.S. share is slipping. U.S. exporters need to change their approach to this market.

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Free Samples: Taste Treat or Marketing Trick?

By Edmund M. Paige

At a recent international trade show, Bill Bradford was proud of himself. For eight hours a day, six days running, he had been dispensing little cups of his new-to-market beverage. The item was a hit. Men, women and teenage students lined up enthusiastically for a free sample.

With the dexterity of a casino blackjack dealer, Bill would spread six empty cups on the counter in front of him. Then, with the skill of a French wine sampler, he would fill each cup with an ounce of his beverage.

Within minutes, often within seconds, the cups would be snatched up. Then the operation would be repeated.

When asked how he was doing, Bill would smile broadly and point with pride to the fact that his drink was a roaring success. "Look at 'em! It's the greatest stuff since sliced bread. They love it. We've got a real winner here."

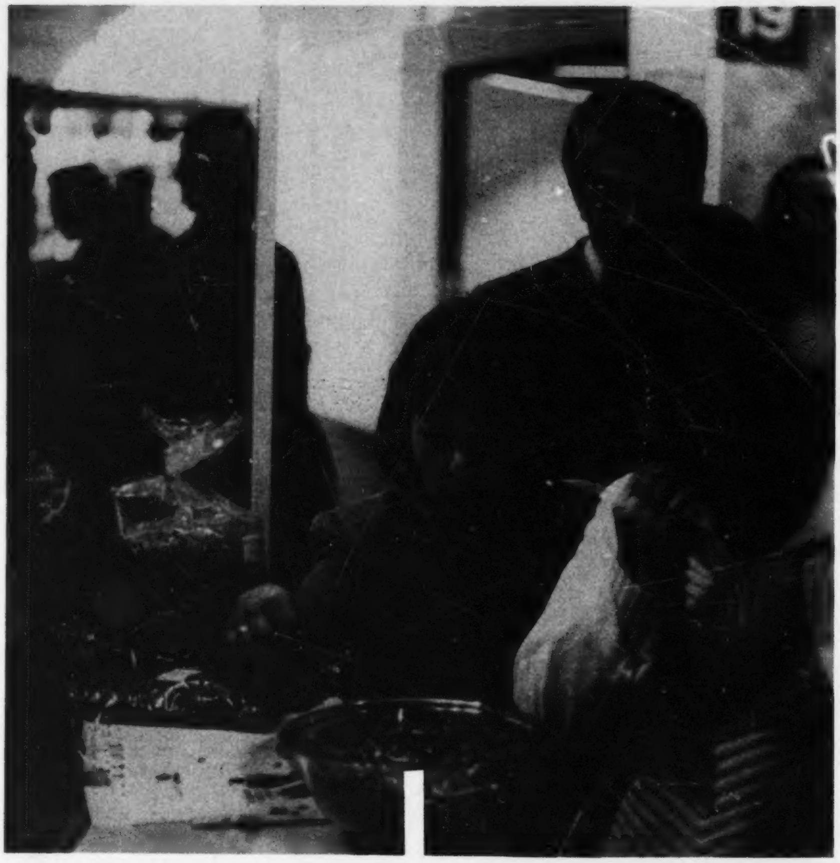
But did he have a winner? Did they really like the product and would they ask for it if they had a choice? Were they simply tolerating the taste and moving on to the next free handout? Did some of them think the drink tasted simply awful?

The sad fact is that Bill has no idea what visitors really thought about his product.

A Different Approach

Let us now switch to another situation. Time: about two years ago. Location: SaudiFood Trade Show in Saudi Arabia. The exhibitor in this case is Mitsubishi, one of the world's largest trading companies.

The product also is a beverage, and the local Saudi population (again, men, women and adolescents) enthusiastically line up for a taste.



U.S. GROUP CORPORATIO

However, here the similarity ends. In order to receive a sample, the interested party has to agree in advance to fill out a form evaluating the product. On the counter there are two stacks of questionnaires, one in English and one in Arabic. Pencils are furnished.

Once the questionnaire is in hand and space provided on the counter to write, the drink is furnished and the evaluation process begins.

The questions go something like this:

How did you like the drink?
☐ Very good ☐ Good
☐ Not so good ☐ Bad

What did you like best about it?
☐ Taste ☐ Color
☐ Sweetness ☐ Other

How can it be improved?
☐ Sweeter ☐ Less sweet
☐ More tart

What age group are you?
☐ 15-21 ☐ 22-39
☐ 40-60 ☐ Older

☐ Male ☐ Female

Hundreds of forms are filled out reflecting samples tested. And no one is more delighted than the Saudis. Not only is their curiosity piqued, but they are flattered that someone is giving them a chance to express their opinion.

Compare the two exhibitors: On one hand, it was assumed that everyone was perfectly delighted with what they tasted when, in fact, there was no real serious basis for this conclusion. On the other hand, there was bona fide sampling of opinion based on personal evaluation.

The difference here is striking and obvious. Does the Japanese system really guarantee success? Not at all. But the odds are that one of these days Mitsubishi will come out with a new beverage in Saudi Arabia that is a real hit—amid dark mutterings from the competition.

A Closer Look at Effectiveness

In examining what Mitsubishi did, some lessons can be drawn from its exhibit.

Consumer acceptance. It is vital that potential exporters know what customers really think about their product. There is no substitute for accurate information in this respect. Market research of some sort is a must.

Identification It does no good whatsoever for an exhibitor to pass out samples if the prospect doesn't come away with a positive, concrete impression of what it was that was tasted. If a person tastes an apple, for example, it should be made clear what kind of apple it is and where it was grown.

Cost of samples. The cost of samples can be significant. The products themselves usually are of small value, but the cost of transportation is expensive and the storage of samples at the show site is annoying, time-consuming and frequently costly.

Time. Trade shows are important places for testing the export waters. Time is of the essence. The exhibitor is challenged to manage time in order to accomplish the primary objectives (finding distributors, talking to important buyers, etc.). An exhibitor really cannot afford to be engaged in unproductive efforts.

Selectivity. Most exhibitors have, or should have, a particular target audience. By disengaging themselves from a "come-one, come-all" sampling process they can better direct their efforts towards accomplishing their primary mission.

Buyer enticement. The best buyers are usually very busy and recognize the crucial value of time. When they come up to a stand and find it crowded with all sorts of people looking for a free sample, they are turned off.

At that particular moment, they may be quietly weighing the elements in their mind. Shall they stop? Shall they wait? Shall they try to work their way through the crowd? Do they really need this product anyway? Have they already got one that is doing the trick? Only the most determined will hang around at this point.

Control Exhibitors are in charge of their own stands. They have paid for them. Their success or failure will depend on exhibitors. They might enjoy a run of success or endure a spell of failure.

In any event, if an exhibitor has control, he or she can adapt sampling techniques to fit the situation.

For example, if the sample policy is strict and stand attendants find they are getting bored watching people go by, they can "turn on the faucet" by putting out more samples. By controlling the sampling process, exhibitors can determine just which combination of sales techniques and free samples works best.

The European Approach

Europeans have been running trade shows for a long time. As a rule, they are reluctant to pass out samples with no restrictions. Big breweries and wineries are the principal exceptions to this.

Many Europeans install spectacular displays. But it is well understood that the casual visitor can look but not touch. Qualified buyers, on the other hand, have no difficulty obtaining samples. All they need do is ask.

U.S. exhibitors can take a cue from the competition. Handing out free samples of a product—whether it is a beverage, a snack or a morsel of high-quality steak—can increase the product's visibility and salability. But the key to using sampling effectively is to make it work for you as a marketing tool. ■

The author is Executive Director of the Eastern U.S. Agricultural and Food Export Council, Inc., New York, N.Y. Tel. (212) 432-0020.

Let Marketing Guides Help You Map Your Export Strategy

By Philip A. Letarte

Marketing guides prepared by various U.S. agricultural trade offices abroad can help you map your export strategy for many U.S. food products. These guides alert U.S. exporters about potential sales opportunities for a variety of foods.

These short, concise guides serve as overviews of individual commodity markets. The guides contain information on the general market for a given product (pecans or wine, for example), the import situation, applicable duties and a list of potential exporters.

The most recent marketing briefs available are as follows:

Country	Market Guides
United Kingdom	Almonds Apples Asparagus Avocados Beer Carrots and turnips Cherries Chili peppers Cigars Consumer cooking oils Food processing and servicing Fresh water fish Furskins Garlic Grapes Grocery retailing Health food market Honey, beeswax and royal jelly Kiwifruit Mangoes Meats Melons Onions Peaches Peanuts Pears Pet food Pineapple juice Pistachios Plums Pulses Raisins Raspberries Rice Strawberries Sunflower seeds Sweet peppers Walnuts Wine
West Germany	Aquaculture (potential market) Chanterelle mushrooms Frozen blueberries Frozen foods Pistachios
Singapore	Changing food shopping habits Fresh fruits Fresh vegetables Poultry, meat and fish
[illegible]	[illegible]
Saudi Arabia	1984 imports (value-added products) Saudi taste in vegetables

To order specific guides, contact:
USDA/Export Programs Division
4944 South Building
14th & Independence Aves. S.W.
Washington, D.C. 20250
(202) 447-3031

The author is with the Export Programs Division, FAS. Tel. (202) 447-3031.

Export Credit Boosts U.S. Sales to Ecuador

By Leonidas Bill Emerson

Over the past three years, U.S. agricultural exporters have held 100 percent of the Ecuadorean market for wheat and soybean oil, thanks to a timely infusion of U.S. export credit.

The Commodity Credit Corporation's (CCC) export credit program also has bolstered sales of non-traditional and value-added products such as livestock for breeding, seeds for planting and tallow. It has established new markets for U.S. cotton and malting barley in Ecuador, too.

As a result, U.S. farm exports to Ecuador jumped from $102 million in 1982 to $115 million in 1983, rose again to $151 million in 1984 and increased an estimated 5 percent in 1985.

U.S. credit guarantees preserved the Ecuadorean market for U.S. agricultural products during a time of critical foreign exchange shortages, and set the stage for continuing expansion as Ecuador's economy recovers and its population continues to grow.

In the long run, Ecuador's rising trade surplus and growing economy are expected to enable the country to reduce its need for CCC credit to purchase U.S. agricultural products.

However, in the short term, the credit program will continue to be an important market development tool for expanding U.S.-Ecuadorean agricultural trade.

Debt Crisis, Crop Losses Hurt Economy

The CCC GSM-102 credit program for Ecuador started in fiscal year 1983 when both a debt crisis and crop losses increased demand for credit to purchase agricultural imports.

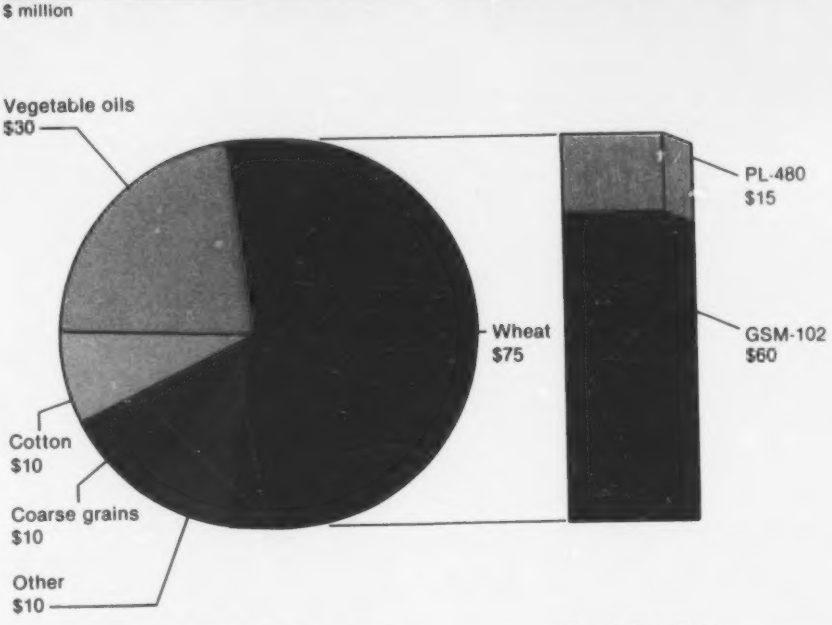
Ecuador's market for U.S. agricultural exports decreased substantially in late 1982 as a result of the lack of foreign exchange. Foreign debt payment problems were due, in part, to falling export revenues coupled with lower commodity prices and high international interest rates. Imports of U.S. oilseeds and products virtually came to a halt and traditional U.S. wheat sales were threatened.

During this period, Canada and Australia offered to sell wheat to Ecuador, and the Australian Wheat Board offered $15 million in credit with the possibility of additional credit for future purchases. In the meantime, Brazil and Argentina offered a barter deal for part of Ecuador's $35-million soybean oil market.

Credit Guarantees Made Available

To meet the competition, the U.S. Department of Agriculture extended $65.3 million in GSM-102 CCC credit guarantees to Ecuador.

CCC Credit Helped To Maintain U.S. Farm Sales to Ecuador in 1985



GSM-102 & PL-480 allocations
Total — $135

Wheat allocations
by CCC program

Through the GSM-102 program, the U.S. government guarantees to pay U.S. banks dealing with Ecuador if a bank there fails to pay its debts. This program helped to confirm the opening of international letters of credit—the usual payment method for international trade.

Previously, letters of credit were not confirmed due to a lack of hard currency (cash confirmation) and a low level of banking confidence in Ecuador's ability to pay debts. Consequently, the flow of U.S. agricultural exports was drying up.

Devaluation Risk Hampers Trade

Although the CCC line of credit facilitated the opening of letters of credit and paved the way for increased U.S. exports, Ecuadorean importers still would not use the CCC credit until their government guaranteed the rate of exchange.

A U.S. dollar debt previously had caused many firms to go bankrupt after Ecuador devalued its currency. With the devaluation, the cost of the dollar doubled or tripled by the time payment came due.

Ecuador agreed to assume the CCC debt obligation and to fix the importers' exchange rate at the time of the standard commercial presentation of documents (normally one or two days after shipment from the U.S. port).

This action allowed Ecuadorean importers to assume the debt in local currency for up to six months while the government's Central Bank held the CCC guaranteed letters of credit for up to three years.

Government assumption of the devaluation risk and the ease of opening letters of credit boosted the popularity of this line of financing.

"El Nino" Increased Credit Needs

In the midst of the Latin American debt crisis, record rainfall resulting from the weather phenomenon "El Nino" (see story on page 10) disrupted three crop cycles and slashed Ecuador's food production sharply in 1982/83. Ecuador requested additional CCC credit for foreign exchange losses as its traditional agricultural exports plummeted.

Faced with the prospect of lost U.S. export opportunities, an additional $18.3 million in GSM-102 credit guarantees was extended to Ecuador, bringing the total to $83.9 million by the end of fiscal year 1983.

Wheat Millers Turn to Other Countries

With limited CCC credit available at the outset of fiscal 1984, Ecuadorean wheat millers concerned about the supply situation contacted wheat exporters in Australia, Canada, the European Community and Argentina.

To counter credit offers from Australia, additional CCC credit was extended to Ecuador, bringing the fiscal 1984 total to $129 million.

As a result, Ecuador stepped up its imports of U.S. cotton and other commodities, and speeded up shipments of wheat in order to use the extra funds.

Credit Bolsters Sales in 1985

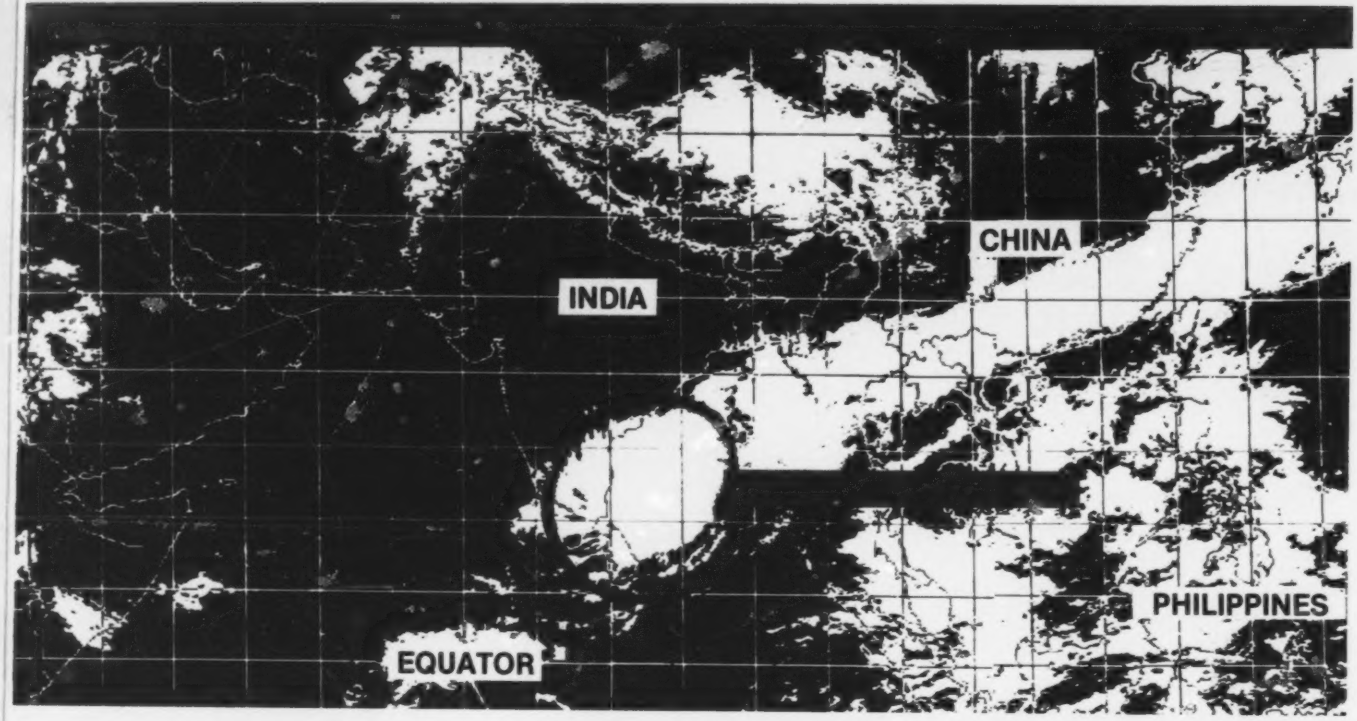
For fiscal year 1985, $119.5 million in export credit was given to Ecuador for wheat, vegetable oil, cotton, feed grains (including malting barley), oilseeds, tobacco, tallow, milk replacers and lentils.

In addition, a new P.L. 480 line of credit was established for wheat in 1985, which should retain the U.S. position as the sole supplier to Ecuador.

So far, Ecuador has met all of its CCC obligations on time and $105 million in 1986 credit guarantees were allocated in August 1985. ■

The author, formerly the U.S. agricultural attache in Ecuador, is with the Dairy, Livestock and Poultry Division, FAS. Tel. (202) 447-7867.

El Nino's Weather Affects World Farming



By Raymond Motha, Thomas Puterbaugh and Ronald Lundine

High winds pounded California during the winter months and heavy snows piled to record depths in the Rockies. The spring was cool and wet. A late-April cold outbreak spread freezing temperatures to northern Alabama, Georgia and the Carolinas, severely damaging fruits and vegetables. Heavy downpours in the Mississippi Delta, the Tennessee Valley and the lower Ohio Valley caused extensive flooding of agricultural lands and delayed the onset of the growing season. The heavy snowpack in the Rockies rapidly melted, filling reservoirs, swelling rivers and causing serious mudslides and floods. The entire country received well above-average rainfall.

During the same season, severe droughts, torrential rains and flooding took human lives and variously affected crops and livestock in Australia, Indonesia, the Philippines, portions of central and southern Africa, India, Mexico and parts of Central and South America.

Unusual weather is a routine matter, but not when it hits around the world during the same season like it did in 1982/83. Statistics show that similar earth-sweeping anomalies will happen again, further jeopardizing lives and playing havoc with the world's food supplies.

The question is when? Part of the answer will be based on meteorologists' observations and analyses of a weather phenomenon known as "El Nino."

The name "El Nino" originally was given to a warm, coastal current which runs southward along the coast of Ecuador around the Christmas season. More recently, the term has become identified with more extreme warmings which occur every few years and appear to be associated with large-scale atmospheric anomalies.

How El Nino Works

Every several years, El Nino's warm equatorial current ranges unusually far south along Peru's coast, displacing the normally cool coastal waters. The warm waters destroy plankton, leading to an enormous fish kill which devastates the local fishing industry. The reduced supply of fish causes widespread starvation of guano birds, which in turn affects the regional ecology. Accompanying spells of torrential rain inundate the normally dry lands, causing severe flooding and erosion.

The so-called"southern oscillation" of large-scale atmospheric pressure patterns provides the link between El Nino events and global weather anomalies.

Large-scale atmospheric pressure changes across the tropical Pacific and Indian Oceans are observed with the occurrence of El Nino off the west coast of South America. The "see-saw" patterns of atmospheric pressure coincide with climatic variations over far-reaching areas around the world.

El Nino occurrences have been documented as far back as the 1890s. Over the past 30 years, events of varying degrees of intensity have occurred during 1957, 1963, 1965, 1969, 1972-73, 1975, 1976, and 1982-83.

The 1972-73 and 1982-83 episodes were particularly intense for two consecutive years. The frequency of occurrence is about once every three years. Heavy winter and spring rains at Guayaquil, Ecuador, resulting from the unusual warming of the ocean waters along the eastern Pacific, usually signal the onset of an El Nino event.

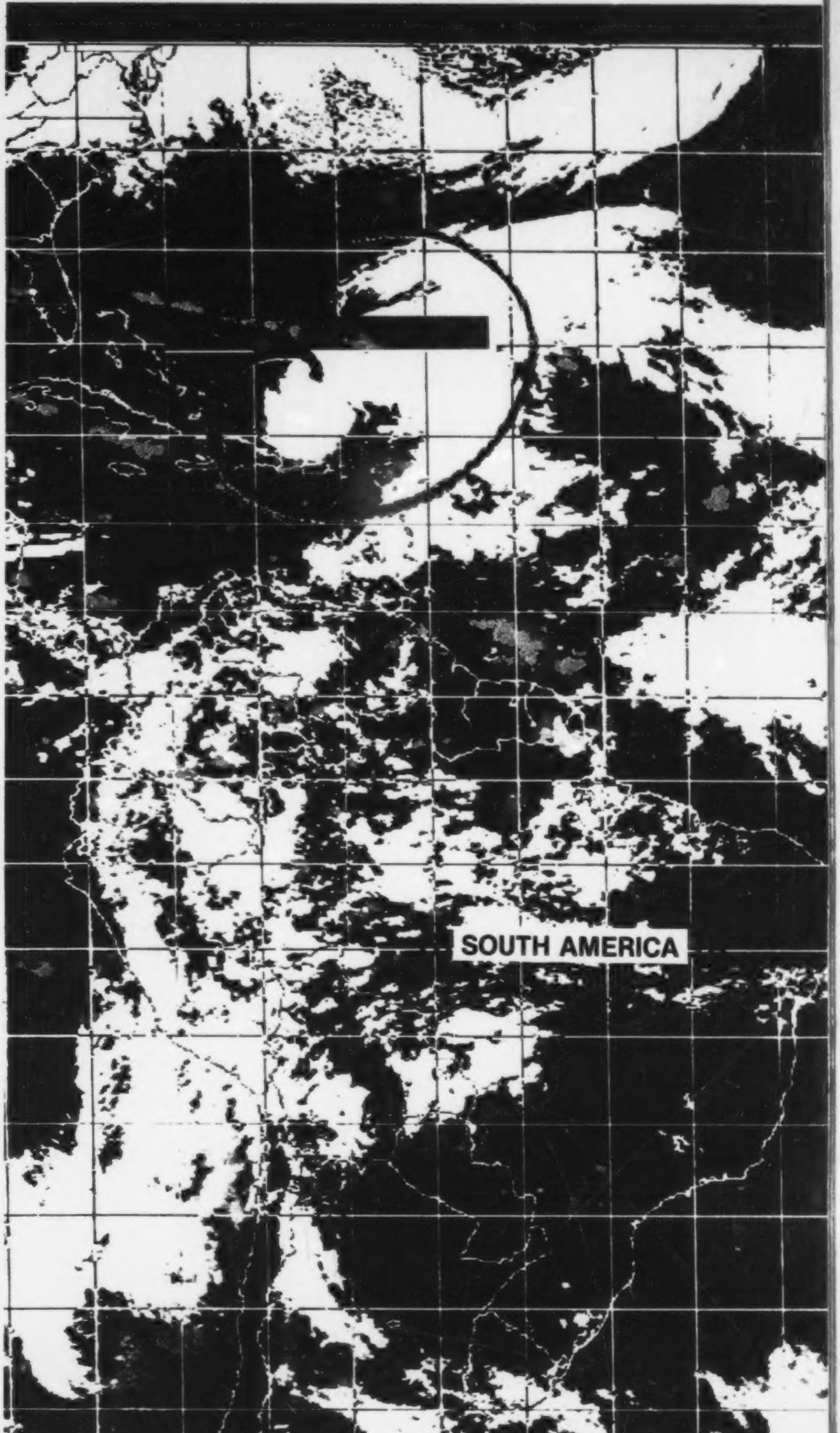
Figuring El Nino's Effect on Farming

From analysis of a number of crop yields from specific areas around the world over the last two decades, it has been determined that there is a general tendency toward increased variability in yields during El Nino years as compared with non-El Nino years (see charts).

The two crop areas presenting the most sharply contrasting pattern and perhaps the clearest cause-and-effect relationship are wheat in Australia and corn in Argentina. During El Nino events, there is a strong tendency for below-normal rainfall in Australia and above-normal rainfall in Argentina. The timing of the rainfall with respect to the stage of crop development ultimately determines the effect on crop yields.

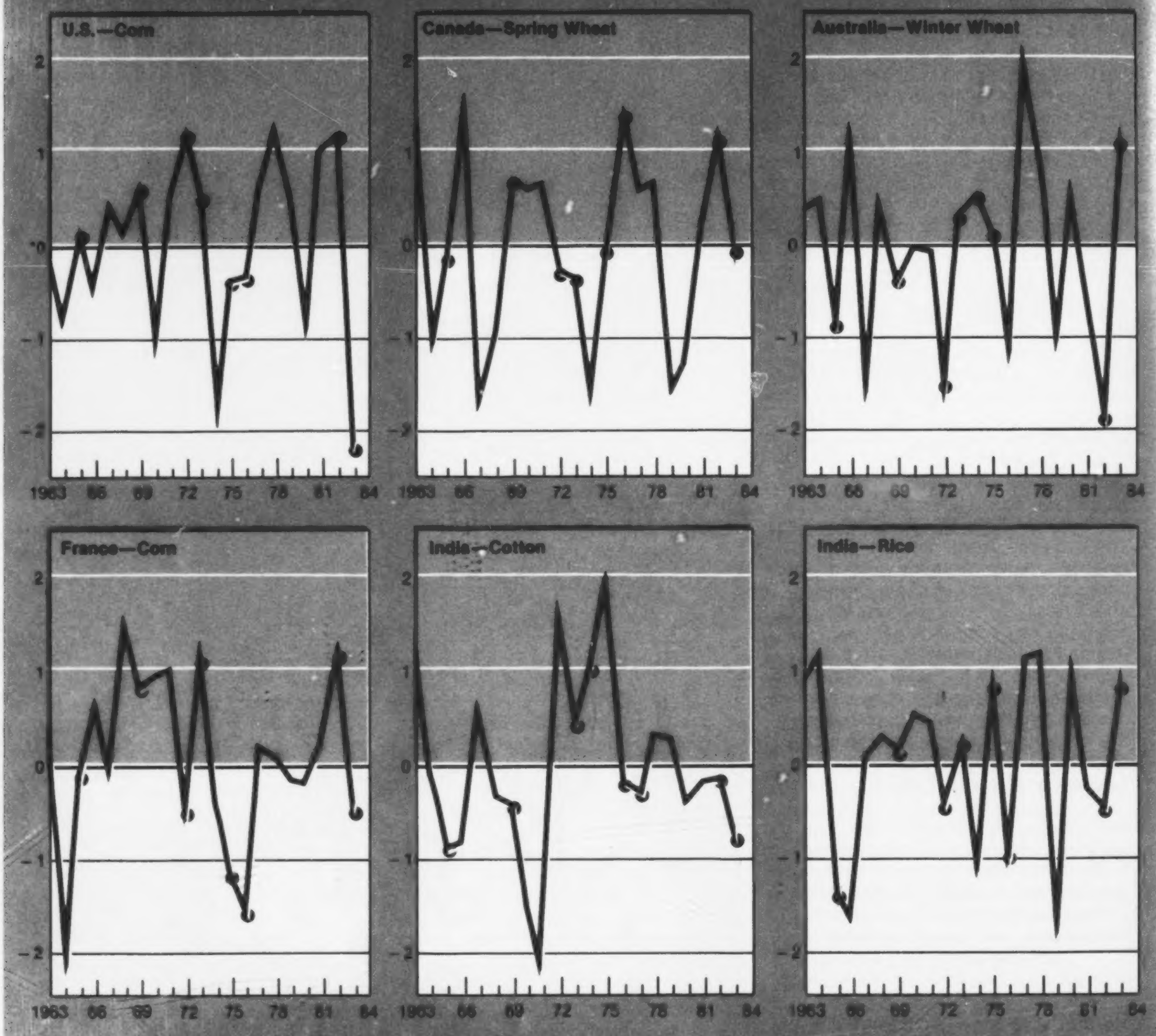
In Australia, as a result of the southern oscillation associated with El Nino, abnormal high pressure and resulting dry conditions often prevail, limiting moisture for wheat. Below-trend wheat yields have resulted.

In Argentina, however, El Nino typically brings unseasonal rains during the peak growing season for corn. These rains are of great benefit in meeting the crop's moisture demands during critical growth stages. Such cases have boosted crop yields to above-trend levels.



El Nino Events Affect Commodity Yields Around the World

● El Nino Years



U.S.—Corn

Canada—Spring Wheat

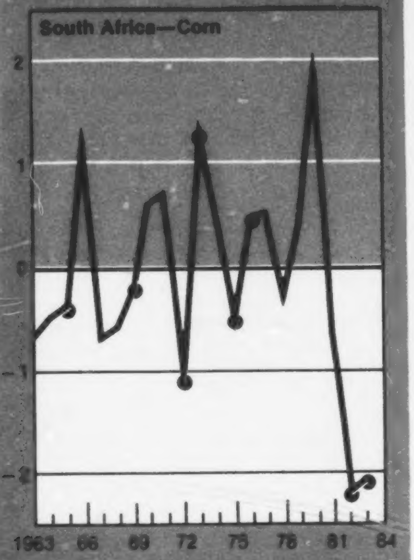
Australia—Winter Wheat

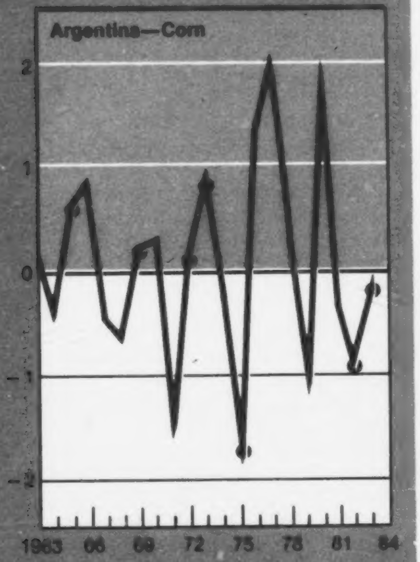
France—Corn

India—Cotton

India—Rice

*The zero lines represent a standardized yield projection without regard for weather variability.





Effects Less Apparent Elsewhere

While the cause-and-effect relationship between crop yields and El Nino events is not as apparent in other crop areas, there are some tendencies to be noted.

South Africa and Australia suffered from the worst drought in recent history during the 1982 El Nino event. Crop yields in both countries dropped to the lowest point since 1972, the year of a previous, severe El Nino.

An effect on crop yields, either positive or negative, was also noted in Canada, France and Argentina in 1972 and 1982.

As for major mid-latitude crops—U.S. corn, Canadian spring wheat and French corn—a nearly equal number of above-trend and below-trend yielding years were observed during El Nino cases.

While an El Nino occurrence is often associated with deviations from trend yields, the direction of the fluctuation cannot be predicted because weather events may occur at different growth stages, sometimes hurting and sometimes helping a crop.

The El Nino phenomenon provides an alert for potential weather-related problems for agriculture. Predicting the weather, however, is always a difficult business, requiring constant monitoring of regional anomalies as well as major events like El Nino. ■

The authors are with USDA's World Agricultural Outlook Board. Tel. (202) 447-5716.

Keeping the Vigil for Farmers

Markets for U.S. goods can spring up or disappear almost overnight if Mother Nature deigns to unleash severe weather.

To help identify potential markets which may result from inclement weather or markets which may become more competitive because of unusually favorable weather, the U.S. Department of Agriculture takes part in a rapid worldwide monitoring and weather assessment system, the Joint Agricultural Weather Facility (JAWF).

The facility provides daily agricultural weather assessments to keep the nation's farmers, exporters and policymakers informed of weather-related developments and their effects on crops and livestock.

Assessments rely a great deal on the standard weather data provided over the World Meteorological Organization's Global Telecommunications System and global weather satellite coverage.

The joint weather facility is a cooperative effort between the Department of Commerce's National Oceanic and Atmospheric Administration and USDA's World Agricultural Outlook Board.

Facility Has Two Missions

JAWF publishes the Weekly Weather and Crop Bulletin, now in its 110th year of publication. To subscribe, contact JAWF, USDA, Room 5844, South Building, Washington, D.C. 20250. The annual rate is $25.

The weather facility also monitors global weather and provides an early warning alert of possible impacts on crop conditions and yield potentials.

Meteorological satellite imagery provides the starting point for the daily review of the global weather events. Meteorologists with the World Outlook Board and National Meteorological Center discuss the data, reviewing surface maps and forecast projections. Determinations are made, and updates or alerts are issued.

This information supplements various other assessments made by USDA using different evaluational techniques.

AIMS: New Services Boost Exports

By Michael Dwyer

The Agricultural Information and Marketing Services (AIMS) program, a pilot project of the Foreign Agricultural Service (FAS), has wrapped up its first 18 months of operation by meeting all of its original goals.

Because of the success of the pilot program, FAS is continuing AIMS to help U.S. agricultural exporters take advantage of opportunities for increased profitability through overseas sales.

AIMS has expanded the types of marketing services offered to U.S. agricultural exporters; linked overseas agricultural trade offices electronically with FAS offices in Washington, D.C.; and boosted the number, use and timeliness of trade leads.

Expanding Marketing Services

The AIMS office now functions as a liaison between U.S. companies and foreign buyers seeking U.S. food and agricultural products.

AIMS was built on existing FAS programs including:

— Trade lead services, such as Export Briefs, a weekly bulletin of trade inquiries;

— Contacts, a monthly newsletter that tells 35,000 foreign recipients about U.S. agricultural products; and

— Foreign importer lists.

In addition, AIMS launched three new services—the Buyer Alert program, International Marketing Profiles and the Executive Export Service.

Through the Buyer Alert program, U.S. exporters can advertise their products in weekly sales announcements to buyers overseas. Buyer Alert offers specific product information, including prices, and is geared particularly to value-added products.

Announcements are transmitted every Wednesday to London, Bern, Manama, Seoul, Singapore, Tokyo, Paris, Rome, Mexico, Brussels, Jeddah, Cairo, Ottawa and Hong Kong. A specialized computer program is being developed for the trade office in Hamburg to meet the needs of buyers there.

AIMS also publishes International Marketing Profiles (IMPs). These reports examine either market performance of specific agricultural products or agricultural trade in particular countries. They provide information on leading foreign markets, fastest growing markets, best selling products and principal competitors and situation reports prepared by agricultural attaches. The profiles also include streamlined and updated importer lists.

Through the AIMS Executive Export Service, exporters may receive a subscription to Foreign Agriculture magazine, one IMP and a one-year subscription to Export Briefs for $100.

Boosting Trade Lead Activity

In 1983, FAS logged 4,071 trade leads. By 1984, this number had increased by 35 percent to 5,490, and leads from such major markets as Japan, France, West Germany and Hong Kong continue to grow.

The AIMS staff launched an effort to increase awareness of the service in the agricultural trade community. Results of this effort have been promising. From 300 participants in April 1984, the AIMS program has increased to over 1,600.

Speeding Up Trade Leads

AIMS has worked closely with agricultural counselors, attaches and trade officers overseas to improve the accuracy and completeness of trade leads.

In addition, automation of the trade offices has accelerated the processing time of trade leads. In the past, leads took as long as two weeks to be transmitted to the users. Typically, leads took about 36 hours for transmission to Washington. Automation has cut turnaround time substantially. Through a number of computerized information networks, some leads are disseminated to users within 18 hours of their generation.

Customers Give AIMS High Marks

In a survey last summer, 360 people reported $146 million in actual and negotiated sales and 3,822 new overseas contacts as a result of using AIMS' services.

Individual firms varied greatly in reported sales and new overseas contacts. While some firms showed no results, a number showed sales as high as $20 million.

One food company respondent said, "AIMS has given us access to medium and small companies which are significant additional markets. When our product information has appeared in Contacts or Buyer Alert, it has reinforced our position with our previous contacts."

Another company commented: "We have used *Export Briefs* extensively over the years. Someone who knows how to use the leads properly and can learn to pick those that have potential, can do quite well. We are content to deal with some of the smaller orders, and we are prepared to follow through with service. Government is the best asset we have, especially the federal level."

An international corporation representative wrote, "We use *Export Briefs* and *Contacts*. While the sales response has not been tremendous, we have made some good contacts, which we expect will add to our business. We feel the AIMS programs are worthwhile."

An outside evaluation of the AIMS project in September 1985 reported that AIMS has helped experienced firms diversify or supplement existing markets, and it has helped inexperienced, but committed, companies to gain a foothold in markets, particularly for differentiated products. AIMS, according to the evaluation, has made important progress in increasing export awareness in the high-value, value-added agricultural sector. ■

The author, the former manager of the AIMS project, is with the Trade and Economic Information Division, FAS. Tel. (202) 382-1294.

Fact File

Fiscal 1985 Wrapup

U.S. Agricultural Exports

U.S. agricultural exports in fiscal year 1985 totaled $31.2 billion, down approximately 18 percent from the previous fiscal year. The export volume of 125.8 million tons was off 12 percent from the year before and was at its lowest level since fiscal 1977.

The most pronounced decline occurred in exports to China, where sales were off more than two-thirds from the year before, almost entirely because of lower wheat shipments. Sales to developed countries as a group were hurt by the sluggishness of their economic growth and the strong value of the U.S. dollar. Many developing economies, while generally growing at a slightly more rapid pace, also continued to have debt repayment problems, which reduced their ability to import.

U.S. Agricultural Exports Decrease in Fiscal 1985

Region	1984	1985	Change
	$Bil.	*$Bil.*	*Percent*
Western Europe	9.264	7.184	-22
EC	6.717	5.336	-21
Other	2.547	1.849	-27
Eastern Europe	.741	.531	-28
USSR	2.512	2.509	—
Asia	15.210	11.935	-22
Middle East	1.865	1.452	-22
South Asia	.867	.600	-31
Japan	6.935	5.663	-18
China	.692	.239	-65
Other East	3.631	3.138	-14
Southeast	1.218	.843	-31
Canada	1.936	1.727	-11
Africa	2.868	2.528	-12
North	1.542	1.208	-22
Sub-Saharan	1.327	1.319	-1
Latin America	5.279	4.567	-13
Mexico	1.967	1.586	-20
Central & Caribbean	1.223	1.129	-8
South America	2.091	1.872	-10
Oceania	.216	.204	-6
Total	38.033	31.186	-18
Developed Countries	19.182	15.226	-21
Less Developed Countries	14.906	12.680	-15
Centrally Planned	3.945	3.380	-14

Exports Turn Down in All Major Markets

Export values turned down in all of the biggest markets for U.S. agricultural products in fiscal 1985. Sales remained the strongest in the Soviet Union, where the value of Soviet purchases was at a near-record $2.4 billion. However, there were steep declines in U.S. sales to such key Asian trading partners as Japan and Korea as competition from other suppliers became more intense. There have been no newcomers to the Top 10 list of U.S. markets for the past two fiscal years.

Exports Turn Down in All Major Markets

Market	1984	1985	Change
	$ Bil.	*$ Bil.*	*Percent*
Japan	6.910	5.654	-18
USSR	2.478	2.448	-1
Netherlands	2.188	1.908	-13
Canada	1.909	1.703	-11
Mexico	1.965	1.586	-20
South Korea	1.816	1.400	-23
Taiwan	1.409	1.342	-5
West Germany	1.260	.900	-29
Spain[1]	1.191	.768	-36
Egypt	.845	.763	-10

[1] Includes Canary Islands.

The Top 10 Exports

Corn continued to be the No. 1 export commodity for U.S. agriculture, although the sales value was down nearly a fifth from fiscal 1984. Wheat and soybeans were in second and third place, respectively, despite declines of nearly a third from a year earlier. Tobacco was the brightest spot in the fiscal 1985 export picture, with a value gain of roughly 11 percent. Dairy products, seeds, peanuts and a number of horticultural products also registered value gains.

On a volume basis, wheat and wheat flour registered the most pronounced declines in fiscal 1985, as large crops around the world reduced demand significantly. Corn export volume remained nearly the same as the year before.

Grains Lead Top 10 Export Products in Value

Commodity	1984	1985	Change
	$ Bil.	*$ Bil.*	*Percent*
Corn[1]	7.023	5.771	-18
Wheat & products	6.790	4.525	-33
Soybeans	5.734	3.872	-32
Livestock & products	3.460	3.308	-4
Horticultural products	2.606	2.607	—
Cotton & linters	2.405	1.967	-18
Tobacco	1.433	1.588	+11
Feed & fodders	1.165	.964	-17
Soybean cake and meal	1.181	.834	-29
Sugar & tropical products	.789	.769	-3

[1] Excludes products.

Corn and Wheat Lead Top 10 List in Volume

Commodity	1984	1985	Change
	Mil. MT	*Mil. MT*	*Percent*
Corn[1]	46.985	46.276	-2
Wheat	41.700	28.524	-32
Soybeans	19.265	16.620	-14
Feeds & fodders	6.845	6.395	-7
Soybean cake & meal	4.862	4.460	-8
Horticultural products	2.853	2.659	-7
Cotton & linters	1.509	1.317	-13
Animal fats	1.379	1.199	-13
Wheat flour	1.070	.782	-27
Sunflowerseed	.995	.999	—

[1] Excludes products.

Top 10 Markets' Purchases of Leading Commodities
($ million)

Country[1]	Corn	Soybeans	Livestock & prod.	Horticultural prod.	Wheat & flour[2]	Cotton & linters	Tobacco	Feeds & fodders	Soybean cake & meal	Sugar & tropical prod.
Japan	1,387	936	804	492	498	467	326	161	1	57
USSR	1,815	0	34	71	436	64	1	0	0	(3)
Netherlands	88	681	59	68	50	1	49	525	163	21
Canada	35	32	229	676	5	64	5	45	94	35
Mexico	186	279	374	43	1	(3)	(3)	13	23	24
S. Korea	182	166	310	17	276	404	4	1	0	10
Taiwan	410	341	156	38	96	148	62	14	0	10
W. Germany	13	157	72	166	2	74	219	72	41	26
Spain	231	249	43	21	(3)	38	129	(3)	10	6
Egypt	171	0	108	4	230	52	75	2	15	9
Total	4,518	2,841	2,189	1,596	1,594	1,312	870	833	347	198

[1] Not adjusted for transhipments. [2] Includes products.

[3] Denotes less than $500,000.

U.S. Agricultural Imports

U.S. agricultural imports hit a record high $19.8 billion in fiscal 1985, up 4 percent from fiscal 1984. Horticultural products accounted for over four-fifths of the increase in total U.S. agricultural imports last year. Fruits, nuts and vegetables replaced coffee as the leading import item in terms of value. Fruit juice imports alone were up nearly $325 million.

Horticultural Products, Coffee Head Import List

($ billion)

Commodity	1984	1985
Competitive		
Fruits, nuts & veg.	2.953	3.481
Meat & meat prod.	1.931	2.214
Wines & malt beverages	1.508	1.573
Sugar & related prod.	1.464	1.280
Dairy & poultry prod.	.879	.865
Oilseeds & prod.	.799	.784
Live animals	.596	.569
Tobacco, unmanufactured	.563	.556
Other animal prod.	.513	.513
Other competitive prod.	1.034	1.156
Total competitive	12.240	12.982

Commodity	1984	1985
Noncompetitive		
Coffee, green & processed	3.300	3.244
Cocoa beans & prod.	1.058	1.285
Rubber & allied gums	.854	.680
Bananas, plantains	.666	.752
Tea	.189	.184
Spices	.206	.258
Other noncompetitive prod.	.403	.393
Total noncompetitive	**6.676**	**6.796**
Total imports	**18.916**	**19.778**

The import volume for fiscal 1985 was 19.7 million tons, up 9 percent from fiscal 1984. Bananas remained the biggest import item, accounting for about 15 percent of U.S. agricultural purchases. Sugar, coffee and meat and meat products were the next in importance.

Bananas and Sugar Are Top Import Items in Volume

(Thous. MT)

Commodity	1984	1985
Competitive		
Sugar, cane & beet	2,829	2,338
Meat & meat products	906	1,124
Vegetable oils & waxes	797	859
Wine	520	512
Tomatoes, fresh	381	374
Tobacco, unmanufactured	190	191
Cheese	139	135

Commodity	1984	1985
Noncompetitive		
Bananas & plantains	2,727	3,022
Coffee, including prod.	1,128	1,128
Rubber & allied gums	809	799
Cocoa beans & prod.	451	539
Spices	90	98
Tea	88	81

U.S. Agricultural Trade Balance

The U.S. agricultural trade balance amounted to $11.42 billion in fiscal 1985, down two-fifths from the preceding year. The 18-percent decrease in exports, coupled with a 4-percent increase in imports, slashed the agricultural trade surplus to its lowest level since fiscal 1977.

Agricultural Trade Surplus Dips

($ billion)

	1984	1985
Exports	38.03	31.18
Imports	18.91	19.77
Trade surplus	**19.12**	**11.41**

Bulgaria Is Buying More U.S. Corn

By Nancy Cochrane

U.S. farm sales to Bulgaria in fiscal year 1986 are expected to at least double to $50 million, up from $25 million last year and the highest since 1982.

These sales will be led by U.S. corn exports. The United States may be able to sell some wheat as well, depending on price and the value of the dollar.

Bulgaria's corn import needs are projected at 500,000 metric tons for fiscal 1986. The United States will be by far the major supplier of that corn. Over 250,000 tons of U.S. corn have already been shipped or contracted for this year.

Large Grain Imports Anticipated

The increase in U.S. sales will be a marked change from the past few years. U.S. agricultural exports to Bulgaria peaked at $187 million in fiscal 1981. They then fell sharply, reaching a low of $23 million in fiscal 1984. Bulgaria's main purchases from the United States were corn, soybean meal and tobacco.

However, after 1982 Bulgaria's corn imports dropped to almost zero. This decline was accompanied by an increase in soybean meal imports, suggesting a change in feed rations to a higher protein content. But Bulgaria turned to Brazil and Argentina for much of its soybean meal needs.

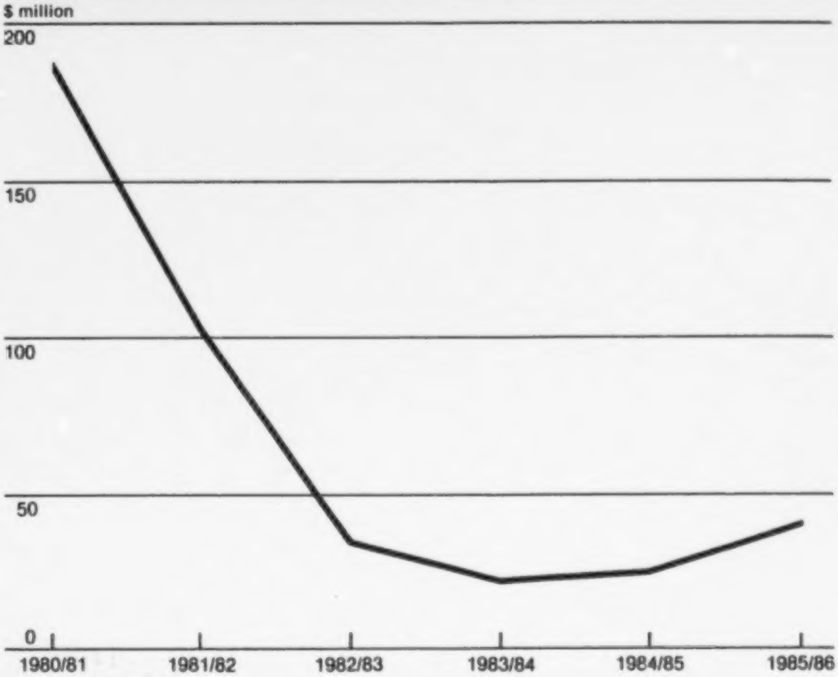
The situation for U.S. sales began to turn around somewhat last year when, after a third year of drought, Bulgaria had drawn down its grain stocks and re-entered the market for corn and barley.

During fiscal 1985, U.S. corn exports to Bulgaria came to 69,000 tons, and barley exports amounted to 60,000 tons. In addition, Bulgaria imported 1 million tons of barley from Western Europe, and large amounts of corn from various suppliers.

Drought Causes Severe Crop Damage

Bulgaria's 1985 drought followed a particularly severe winter and, while all sectors of the economy suffered, the agricultural sector was particularly hard hit.

U.S. Agricultural Exports to Bulgaria Climbing Again



Winter wheat suffered severe winterkill, and thousands of hectares were plowed up and replanted to corn. In previous years the corn crop did well despite the drought because of extensive irrigation. Last year, however, water levels were too low to sustain the irrigation systems.

As a result, 1985 grain production was estimated at just over 7 million tons, down 23 percent from 1984. The corn crop was estimated to be under 3 million tons, with yields at their lowest since 1978.

Other crops suffered as well. Sunflowerseed and soybean production were down for the third straight year. Tobacco and vegetable production were off so much that Bulgaria had difficulty meeting export obligations to its trading partners.

Maintaining Trade Balance

Bulgaria has traditionally been a net agricultural exporter and has been a net grain exporter since 1981. Agricultural products such as tobacco, fruits, vegetables, meat and wheat are an important source of hard currency earnings. Bulgaria is a major supplier of these commodities to the USSR and other Council for Mutual Economic Assistance (CEMA) countries.

In most years, Bulgaria's total merchandise trade has been nearly in balance. Roughly 75 percent of that trade is with CEMA countries. The country's hard currency debt peaked at about $3 billion in 1980 and is currently estimated at $1.4 billion.

Bulgaria ordinarily avoids foreign debt, severely restricting imports in some years to keep its trade in balance. This year, however, the Bulgarians have resumed borrowing from Western banks to finance their huge grain imports. ■

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Japanese Pork Market Requires Special Attention

By Merritt Chesley

Japan is the world's sixth largest pork importer with purchases of 150,000-200,000 metric tons of fresh and frozen pork annually. It is also the largest customer for U.S. pork, although the U.S. market share has been slipping in recent years as Denmark has recovered from an outbreak of foot-and-mouth disease and Taiwan has moved aggressively into the marketplace.

Processing Demand Is Growing

Japanese consumption of fresh pork, now around 5.6 kilograms per capita annually, has declined since peaking in 1980. However, the demand for pork for processing is still climbing. Processing now accounts for 27 percent of all pork use (up from 19 percent 10 years ago) and is expected to continue to increase.

Imports generally make up 12-16 percent of total Japanese pork consumption. Loins are the No. 1 import; about 50,000-60,000 tons of imported loins are needed each year to satisfy demand. Insufficient domestic supply in Japan also accounts for imports of about 10,000 tons annually of both tenderloins and collars (boneless butt or Boston butt).

Other pork cuts are imported mostly because of the peculiarities of the Japanese tariff system.

Unique Tariff System

Pork imports come in under a tariff system that ensures that every shipment enters at a minimum price, which is in the middle of the domestic stabilization range for hogs. The tariff is applied to the average c.i.f. price of all cuts in a container.

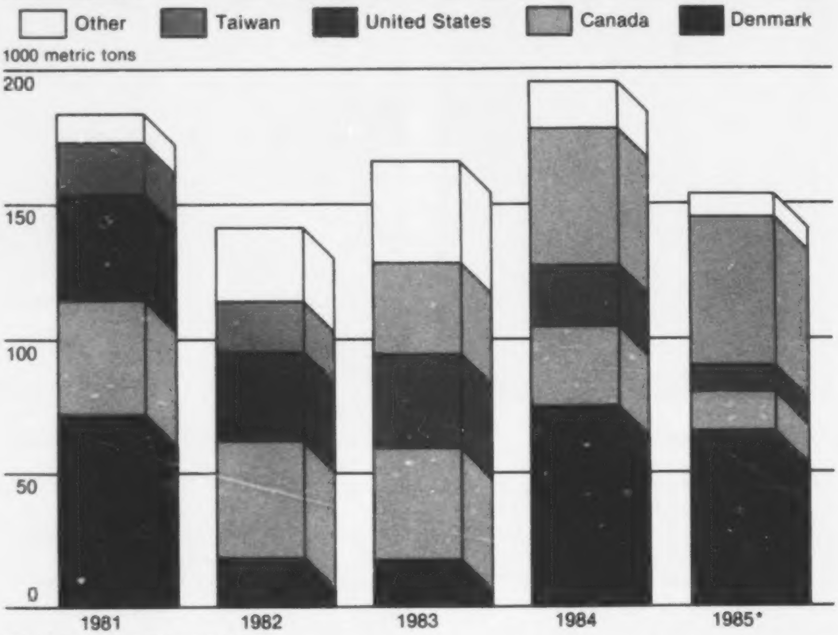
To minimize the duty, importers combine high-value cuts with low-value ones in a container. As a consequence, loins and tenderloins, the most desirable cuts in Japan, are mixed in the container with cheaper cuts (bellies, shoulders, hams, etc.).

Bellies are the most desirable of the lower priced cuts because they can be sold at a high markup in Japan. This means Japanese buyers have greater flexibility in setting retail prices for the other cuts in the container.

Processing Sector Biggest User

About 85 percent of imported pork is used for processing. As the processing industry has become more sophisticated, it no longer simply buys meat left over from the fresh meat market but has become more discerning in the different cuts used.

U.S. Share of Japanese Pork Market Is Declining



Data are on product weight basis.
*Estimate.

Danish meat cuts are often preferred for processing because they are relatively uniform. Danish pigs are generally of the same breed. Pigs in the United States, Canada, Japan and Taiwan are of various breeds and crossbreeds, and consequently yield less uniform meat cuts.

U.S. cutting techniques put U.S. pork bellies at somewhat of a disadvantage in the Japanese market.

The large spare rib market in the United States dictates that ribs are extracted from bellies with a considerable amount of meat on the bone. As a consequence, U.S. bellies are not particularly satisfactory for processing in Japan. In contrast, Danish bellies are string-boned (where only the bone is removed), leaving all the meat in the belly.

Upper shoulder cuts are another lower priced cut commonly imported by Japan. Danish collars are smaller than U.S. boneless butts and are preferred for processing.

Therefore, the combining of differently priced cuts in a container makes the low-priced cuts from the United States less attractive than those from other suppliers, also making it difficult to ship the more expensive loins.

Due to high labor costs and the relative insignificance of the export sector in U.S. pork production (the United States exports less than 2 percent of its annual pork production), U.S. packers are generally reluctant to set up cutting lines specifically for the Japanese market.

The Danes, for whom exports constitute 80 percent of pork production, go to great lengths to meet Japanese specifications. In addition, for the spot market, the Danes offer meat cut to their own, highly uniform specifications, which are usable in Japanese processing.

Similarly, Taiwan's pork cuts are very close to Japanese cuts. Low labor costs in Taiwan also make it affordable to ship further processed products (meat with a higher degree of trimming, etc.).

Yen-Based Contracts Preferred

Another major consideration for Japanese pork buyers is the currency base of contracts. U.S. suppliers offer only dollar-based contracts, which force Japanese importers to assume the risk of currency fluctuations. Other major exporters (Denmark, Taiwan and Canada) offer contracts based on the yen, thus assuming the risk.

U.S. Exporters Need To Adjust

The import price is important because it determines the amount of loins that can be included in each shipment. However, such factors as cutting to Japanese standards and yen-based contracts have a powerful influence on Japanese pork buyers.

For example, Danish tenderloins may be more expensive than U.S. tenderloins, but are imported in substantial quantity because they can be combined profitably with bellies.

In fact, it has been estimated that U.S. loin prices would have to be about 10 percent lower than Danish prices to compensate for the advantages in buying Danish pork.

If U.S. exporters are to become more competitive in the Japanese pork market, they must be willing to supply cuts which meet Japanese specifications. U.S. loins and tenderloins are satisfactory, but the other cuts (bellies, shoulders, hams, etc.) with which they must be combined must also be desirable to Japanese importers.

In addition, offering contracts based on the yen would lessen the risk faced by importers and thus make U.S. pork more attractive. ■

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Country Briefs

olombia

**ucca, a Staple Food,
ow a Sizable Feed Item**

Traditionally the staple foods of Colombia have been corn, plantain and yucca, but these are slowly being replaced in the human diet with rice and potatoes. However, yucca, particularly in the form of dry chips, is becoming increasingly important to the country as a feed ingredient.

In 1985, 5,000 metric tons of dry yucca chips were incorporated into feed concentrates and in 1986 that amount is expected to grow to about 30,000 tons. Most of the yucca used in feeds is produced in the northern coastal areas.

During the last three years, a government agency has been organizing farmers into cooperatives of 15 to 20 members who chop, dry and market their own yucca production through the feed industry. These cooperative plants are located along the Atlantic Coast, where there are already 20 functioning. The government's goal is to have 40 plants by mid-1986. The same program is planning to start the drying of plantains before the end of the year.—*Lloyd I. Holmes, Agricultural Counselor, Bogota.*

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gypt

**crease in Washing
achines Could Cut
allow Imports**

The growing use of washing machines in Egypt is expected to eventually result in a decline in the use of tallow-based laundry soap, which cannot be used effectively in these machines. Egypt typically imports about 200,000 tons of tallow a year from the United States, making it the largest market for U.S. tallow in the world.

Egypt's first private sector detergent plant is expected to be established in The 10th of Ramadan City and when full production is reached in 1987, this factory is expected to have an annual output of 30,000 tons of dry detergents and 5,000 tons of liquid detergents. In the short run, the production of the private factory, together with a planned doubling in production by public sector plants, is not expected to affect tallow imports adversely. Rather, they will displace detergent imports. In the longer run, however, tallow imports are likely to decline.—*Gerald Harvey, Agricultural Counselor, Cairo.*

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ong Kong

**Planned Controls on
Livestock Could Boost
eat Imports**

New anti-pollution rules proposed by the Hong Kong government are likely to affect the Colony's pig and poultry industries—possibly to the benefit of U.S. meat exporters.

The proposed waste control plan—which includes a ban on keeping livestock in urban areas as well as some parts of the more rural New Territories—will affect some 100,000 pigs, more than a fifth of the total pig population in the territory. The plan, if adopted, will drive many pig and poultry farmers out of business as increased operational costs raise the costs of production so much that domestic animals and birds will not be able to compete with imports, particularly live pigs and chickens from China. Frozen pork and poultry products from the United States and other sources may be able to benefit, too, as the reduced supply of fresh meat and poultry means possible expansion for frozen products.

The impact of the anti-pollution rules will not be immediate, as the plan is to be implemented over nine years, starting in mid-1987. However, it is apparent that local pig and poultry production will be on the decline and that there will be a trend toward greater dependence on food imports.—*Michael L. Humphrey, Agricultural Officer, Hong Kong.*

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ndonesia

**Self-Sufficiency in
Soybean Production
Planned**

The Indonesian government is striving to achieve self-sufficiency in soybean production by the end of 1986. The government is trying to motivate farmers into planting an additional 400,000 hectares of soybeans in 1986 by providing an "input package" of credit, seed, fertilizer and extension services. Of the area total, about 170,000-177,000 hectares, mostly on Java, have been planted to rice in the past. Their conversion to soybean fields will have the dual effect of boosting soybean production and also propping up decreasing rice prices caused by surplus paddy production.

An area increase of the magnitude planned would boost Indonesia's soybean production by 45 percent to approximately 1.3 million tons. However, the government faces a major problem in supplying sufficient seed for the proposed new 400,000 hectares of soybean fields.

Whether or not soybean self-sufficiency is actually attained by yearend, production gains can be expected and imports could be reduced. Over the past three years, Indonesia's annual imports of soybeans totaled approximately 400,000 tons.—*Robert M. McConnell, Agricultural Counselor, Jakarta.*

Japan

Model House To Demonstrate U.S. Wood Properties

The U.S. wood industry and government plan to build a model multi-use residential/office structure in Tokyo, using U.S.-produced materials, to promote increased wood utilization in Japan and increased U.S. lumber and plywood exports. The structure, which will use advanced building systems and materials for wooden structures, is scheduled to be completed prior to the Advanced Nations Summit Conference to be held in Tokyo in May.

The U.S. goal is to demonstrate the economies and energy efficiency of wood structures in order to encourage the expansion of wood utilization and exports to Japan.

The U.S. hardwood industry is planning to set up an office in Japan to sell walnut and other hardwood products into the Southeast Asian market.—*Bryant Wadsworth, Agricultural Counselor, Tokyo.*

Growing Popularity of Popcorn an Opportunity For U.S.

Since 1981 U.S. exports of popcorn to Japan have risen by roughly 70 percent in line with growing demand for this product. There is no production of popcorn in Japan and all of the country's popcorn must be imported. The United States reportedly supplies most of Japan's popcorn.

Japan has a tariff-quota on popcorn which is part of a broader program to restrict corn imports in order to protect Japanese producers of potatoes (cornstarch competes with potato starch), sugarcane and sugar beets (corn sweeteners compete with sugar). Specially licensed firms, which have popping facilities, can import popcorn up to the quota level without paying a duty. A tariff of about 3 cents a pound is applied to popcorn imported outside of the duty-free quota, either by firms that are not licensed to handly duty-free imports or by licensed firms that exceed their allocation under the quota.

All duty-free popcorn must be popped before it leaves the factory. There are no restrictions on other popcorn. This system helps keep many smaller firms competitive by giving them access to duty-free popcorn and assures that raw corn imported duty-free as popcorn will not be used for other purposes.

In recent years, the Japanese demand for popcorn has increased and the duty-free quota has been increased accordingly.

A few firms licensed to handle duty-free popcorn import directly, but most use trading companies to handle their imports. Popcorn imported outside of the duty-free quota can be sold to anybody, including street vendors, bars with popcorn machines, ball parks and theaters. There is relatively little distribution of raw popcorn for popping at home. Since almost all popcorn is marketed after being popped, Japanese buyers are very quality conscious.—*Bryant Wadsworth, Agricultural Counselor, Tokyo.*

Saudi Arabia

Vegetable Market Offers Some Potential for U.S.

The U.S. share of the Saudi fresh vegetable market is tiny, but there is opportunity for exports of tomatoes and potatoes. Saudi imports of fresh vegetables from all sources in 1984 showed tomatoes as the leading purchase, followed in descending order by onions and leeks, potatoes, cucurbits, cauliflower, mushrooms and truffles, garlic and shallots, lettuce, capsicum, okra, eggplant, beans and french beans, sweet peas and miscellaneous other items.

There's also a fair market for frozen vegetables in the country in which the United States does fairly well.—*Jerome M. Kuhl, Agricultural Trade Officer, Jeddah.*

Singapore

Younger Generation Acquiring Taste for Wines

Wine sales in Singapore are moving outside the hotel market, which caters mostly to tourists, and are beginning to show up in small Chinese restaurants and open-air seafood restaurants. Many of the more affluent younger generation, some of whom have lived abroad, have grown to appreciate wines. Also, the health-conscious Singaporean may be turning to wine in preference to drinks with higher alcohol content.

While locals are accepting wines into their lifestyles, they are choosing the less expensive brands at present. In general, the Chinese have a preference for light white wines, although lighter reds and even burgundies are also popular with Chinese food.—*James Y. Iso, Agricultural Trade Officer, Singapore.*

Taiwan

Dairy Cattle Imports From U.S. Gain Ground

Significant increases in imports of U.S. dairy cattle are expected to play a major role in the planned expansion of Taiwan's dairy industry. Taiwan last year became a major market for U.S. dairy cows, with imports in the first seven months of 1985 numbering about 1,700 head—four times more than total U.S. dairy cattle exports to Taiwan in all of 1984.

All dairy cattle are Holstein Fresian. In the past 30 years, this breed was imported from Australia, Japan, the United States and New Zealand. In the future, the United States can expect to maintain a dominant share in the market, despite higher prices, as local farmers reportedly have begun to appreciate the better quality of U.S. cattle.—*John T. Hopkins, Agricultural Officer, Taipei.*

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